

BA-PHALABORWA MUNICIPALITY



2008/09

ANNUAL REPORT

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VISION

“Growing the economy and creating employment through tourism”

MISSION

- ***To ensure financial viability, sound administration and accountable governance for investor attractiveness***
- ***To render all stakeholders with quality and affordable infrastructure and services for enhancing a safe and better life for all***
- ***To manage the environment for the future sustainable economic growth”***

VALUES

- ***Efficiency and accountability***
- ***Growth and sustainability***
- ***Innovation and creativity***
- ***Professionalism and hospitality***
- ***Conservation***

TABLE OF CONTENTS

CHAPTER 1

INTRODUCTION AND MUNICIPAL OVERVIEW

1.1 Mayor's Foreword	9
1.1.1 Achievements	9
1.1.2 The Year Ahead	10
1.2 Municipal Manager's Statement	11
1.3 Purpose of the Annual Report	12
1.4 Schedule for the 2008/09 Annual report Process	12
1.5 Municipal Overview	13
1.5.1 The Powers and Functions of the Municipality	13
1.5.2 Municipal Entities	15
1.5.3 Changes in Management (Section 57 Managers)	15
1.5.4 Demographic Information	15
1.5.5 Socio-Economic Growth	16
1.5.6 Challenges Facing the Municipality	17

CHAPTER 2

GOVERNANCE

2.1 Introduction	19
2.2 Governance Structures	19
2.2.1 Political Governance Structure	19
2.2.2 Administrative Governance Structure	21
2.3 Co-operative Governance and Intergovernmental Relations	22

2.3.1	District IGR Forums	22
2.3.2	Technical Committees	22
2.3.3	Premier's IGR Forum	23
2.4	Public Accountability	23
2.4.1	Ward committees	24
2.4.2	Representative Forums	24
2.4.3	Imbizos	25
2.5	Corporate Governance	25
2.5.1	Anti-Corruption and Anti-Fraud	25
2.5.2	Internal Auditing	25
2.5.3	Audit Committee	26
2.5.4	Auditor General	26
2.5.5	By-Laws and Policies	26
2.5.6	Information Technology	27
2.5.7	Communication	27
2.5.8	Website	28

CHAPTER 3

STRATEGIC PERFORMANCE

3.1	Introduction	30
3.2	Strategic Plan Development	30
3.3	Strategic Objectives	31
3.4	General Key Performance Indicators	32
3.5	Municipal Key Performance Indicators	33
3.6	Development Priorities	34

3.7 Local Economic development	34
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CHAPTER 4

FUNCTIONAL PERFORMANCE

4.1 Introduction	36
4.2 SDBIP Implementation	36
4.3 Major Projects Implemented through Grant Funding	53

CHAPTER 5

ORGANISATIONAL DEVELOPMENT PERFORMANCE

5.1 Introduction	58
5.2 The Municipal Workforce	58
5.2.1 Municipal Employees by Race	58
5.2.2 Employees Recruited	59
5.2.3 Services Terminated	60
5.2.4 Foreign Employees	62
5.2.5 Vacancies	61
5.2.6 Staff Turnover	62
5.3 Managing Municipal Workforce	62
5.3.1 Occupational Injuries	62
5.4 Capacitating Municipal Workforce	63
5.4.1 Skills Audit	63
5.4.2 Skills Development	64
5.4.3 Learners on Experiential Training	66
5.4.4 Learners on Internship Programme	67

5.4.5 Skills Development Budget	67
5.5 Managing Municipal Workforce Expenditure	67
5.5.1 Personnel Expenditure	68
5.5.2 Promotions for 2008/09	68
5.5.3 Upgraded Positions	68
5.5.4 Disclosures	68
5.5.5 Human Resources Policies and Plans	69
5.5.6 HIV/AIDS	71
5.5.7 Employees Performance Rewards	71
5.5.8 Skills Matrix	71

CHAPTER 6

FINANCIAL PERFORMANCE

6.1 Introduction	74
6.2 Financial Sustainability	74
6.2.1 An Overview of the Financial Situation	74
6.2.2 The Financial Health of the Municipality	74
6.2.3 Credit Rating of the Municipality	75
6.3 Indigent Policy	75
6.4 Supply Chain Management	75
6.5 Audit Outcomes	75
6.6 Income	76
6.6.1 Revenue	76
6.6.2 Grants and Conditional Transfers	77
6.6.3 Equitable Shares	78

6.6.4 Loans/Borrowings	79
6.6.5 Revenue by Source	79
6.6.6 Outstanding Consumer Debts	80
6.7 Expenditure	81
6.7.1 Expenditure per Capita	81
6.7.2 Allocation of Expenditure	81
6.7.3 Capital Expenditure	82

CHAPTER 7

INTERNAL AUDIT REPORT

7.1 Introduction	83
7.2 Internal Audit Unit	83
7.3 Audit Committee	83
7.3.1 Audit Committee Members	83
7.3.2 Audit Committee Responsibilities	83
7.3.3 Mid-Year Audit Committee Report	84
7.3.4 End of Year Audit Committee Report	85

CHAPTER 8

FINANCIAL STATEMENTS

8.1 Introduction	86
8.2 Operating Revenues	86
8.3 Operating Expenditure	87
8.4 Capital Expenditure and Financing	87
8.5 External Loans, Investments and Cash	88
8.6 Conclusion	88

CHAPTER 9

AUDITOR GENERAL AUDIT REPORT

9.1 Introduction	89
9.2 Audit Queries raised in the 2007/08 Audit Report	89
9.3 Remedial Actions Undertaken to Address Audit Queries	89

CHAPTER 10

ASSESSMENT BY ACCOUNTING OFFICER

10.1 Introduction	90
10.2 Assessment of Revenue	90
10.3 Measures to Improve Performance	91

CHAPTER 11

CORRECTIVE ACTIONS

11.1 Introduction	92
11.2 Remedial Actions to Address Audit Queries in the 2008/09 Audit Report	92

APPENDICES

APPENDIX A: Organisational Chart (Organogram)	93
APPENDIX B: 2008/09 Service Delivery and Budget Implementation Plan (SDBIP)	105
APPENDIX C: Agreements, Contracts and Projects under PPP	140
APPENDIX D: Annual Financial Statements	146
APPENDIX E: 2007/08 Auditor-General's Audit Report	185
APPENDIX F: 2008/09 Report of the Audit Committee	200
APPENDIX G: 2008/09 Auditor-General's Audit Report	203
APPENDIX H: Action Plan for 2009/10 to Address 2008/09 FY Audit Issues	222

CHAPTER 1 | INTRODUCTION AND MUNICIPAL OVERVIEW

1.1 Mayor's Foreword

I am privileged to have the opportunity as Mayor of the Ba-Phalaborwa Municipality to introduce the Annual Report for the 2008/2009 financial year. The 2008/2009 financial year was a very eventful and productive year, in which a great deal of progress was made. Services were improved and a number of demanding challenges were overcome. However, this Municipality is aware of the fact that challenges still remain and strives to continuously improve on service delivery.

1.1.1 Achievements

The Council has made tremendous strides towards achieving its objectives in all five key performance areas, namely:

- Basic service delivery and infrastructure development
- Municipal financial viability and management
- Municipal transformation and development
- Local economic development
- Good governance and public participation

Key achievements over the review period include the following:

- (a) Continuously improving the provision of electricity, water and sanitation.
- (b) 2nd national runner-up award in the Cleanest Town Competition hosted by the Department of Environmental Affairs and Forestry.
- (c) The provision of quality potable water that meets national and international standards.
- (d) Improving revenue collection from R168 727 341 (R168, 7 million) during the 2007/08 financial year to R203 357 065 (R203, 4 million) during the 2008/09 financial year.
- (e) Created 262 temporary jobs during the implementation of the infrastructure projects
- (f) Upgraded streets to tar in the townships of Namakgale and Lulekani including the installation of culverts in Matiko Xikaya

- (g) We commenced with construction of Freedom and Memorial Precinct (Namakgale), Flea Market and Rest Station (Namakgale) and the Selwane Thusong Service Centre and these shall be completed in the 2009/ 10 Financial Year.
- (h) Improving integrated planning and performance management.
- (i) In partnership with Rio Tinto Palaborwa Foundation, completed the community library in Selwane
- (j) Establishing an efficient, effective and accountable administration.
- (k) Improving public participation in planning, development and decision-making during the IDP, Budget and Ward-based Planning processes, as well as other public engagements.

1.1.2 The year ahead

Although good progress has been made during the 2008/09 financial year, this does not mean that there is not more to be done. Key challenges for the 2009/10 year ahead, which were also experienced during the 2008/09 financial year, include:

- (a) Developing and implementing customer-oriented service models.
- (b) Accelerating service delivery.
- (c) Improving on the audit opinion.
- (d) Curbing the culture on non-payment of services mostly in our townships and rural areas
- (e) All other challenges, which are well detailed in this report.

I would like to thank all members of the Council, officials and the public for their support during a very challenging year.

The new financial year will be equally – if not more – challenging and I look forward to working with you all to achieve a better life for all.

Cllr GD Mudunungu

Mayor

26 January 2010

1.2 Municipal Manager's Statement

As the Accounting Officer of the Municipality, I join the Mayor, Cllr Gloria Mudunungu, in presenting the Annual Report of the Ba-Phalaborwa Municipality for the 2008/09 financial year to the Council. The report has been compiled in line with the Local Government: Municipal Systems Act 32 of 2000, the Local Government: Municipal Finance Management Act 56 of 2003, as well as National Treasury Circular No. 11 (which outlines Annual Report Guidelines).

This report records the progress made by the Municipality in fulfilling its objectives as reflected in the IDP, the Budget and the Service Delivery and Budget Implementation Plan.

Considerable improvement and progress has been achieved in the services, functions and activities of the Municipality, including:

- (a) Improved integrated planning and budgetary control.
- (b) Stabilisation of the administration by appointing all Section 57 employees, resulting in the establishment of a professional Management Team.
- (c) The partnership with Mopani FET College (Sir Val Duncan), Rio Tinto Palaborwa Foundation and the municipality to convert the Sir Val Duncan into a specialised artisan college

In the year ahead, the following administrative challenges await:

- (a) Continuing improvement of integration and coordination between the various directorates.
- (b) Developing skills and recruiting and retaining scarce skills.
- (c) Continuing to review and improve systems, procedures and business processes (e.g. creditors and IT).
- (d) Addressing issues emanating from the Auditor-General's report for the 2008/09 financial year.
- (e) Continuing to deal decisively with issues of fraud and corruption through the implementation of anti-fraud and anti-corruption strategies.

I would like to thank the Mayor, the Executive Committee, Council and staff for their contribution in making 2008/09 a success.

Khumbudzo Ntshavheni

Municipal Manager

1.3 Purpose of the Annual Report

According to Section 121 (2) of the Municipal Finance Management Act (MFMA), read with MFMA Circular No 32, the purpose of an annual report of a municipality is to:

- Provide a record of activities of the Municipality;
- Provide a report on performance in service delivery and against the budget;
- To provide information that supports the revenue and expenditure decisions made; and
- To promote accountability to the local community for the decisions made throughout the year by the Municipality.

1.4 Schedule for the 2008/09 Annual Report Process

The following schedule was developed to guide Ba-Phalaborwa Municipality in the 2008/09 annual reporting process. Responsibilities and dates as prescribed in the MFMA and Municipal Systems Act (MSA) are outlined.

Table 1.1: Schedule for annual report process

ACTIVITIES		PRESCRIBED DATES	RESPONSIBILITY OF
1.	Submission of AFS to AG	31 Aug. 2009	MM
2.	Submission of a municipal entity's AFS to MM <i>(Not applicable to the Municipality)</i>	31 Aug. 2009	Entity's Accounting Officer
3.	Submission of Directorate-specific Annual Reports	31 Aug. 2009	Directors
4.	Submission of consolidated AFS to AG	30 Sep. 2009	MM
4.	Receipt of audit report from AG	30 Nov. 2009	MM
5.	Address issues raised in AG's report	Immediately upon receipt	MM and Mayor
6.	Submission of municipal entity's annual report to MM <i>(Not applicable)</i>	31 December 2009	Entity's Accounting Officer

ACTIVITIES		PRESCRIBED DATES	RESPONSIBILITY OF
	<i>to the Municipality)</i>		
7.	Tabling of annual report in Council	30 January 2010	Mayor
8.	Publicizes annual report for comments	Immediately after tabling	MM
9.	Submit annual report to AG, PT and DLGH	Immediately after tabling	MM
10.	Develop a schedule for considering annual report	Immediately after tabling	MM
11.	Establish an oversight committee to consider annual report	Immediately after tabling	Council
12.	Attend oversight meetings considering the annual report to provide responses	Every time a meeting is called	MM
13.	Submit copies of minutes of the meetings to AG, PT and DLGH	Immediately after annual report consideration process	MM
14.	Adoption of an oversight report	31 March 2010	Council
15.	Publicize oversight report	Within 7 days of adoption	MM
16.	Submit annual report and oversight report to provincial legislature	Within 7 days of adoption of oversight report	MM

1.5 Municipal Overview

1.5.1 The Powers and Functions of the Municipality

In accordance with the provisions of Section 156 of the Constitution read in conjunction with Part B of Schedule 4 and Part B of Schedule 5, and Chapter 3 of the Municipal Systems Act, the Municipality was authorized to exercise and perform the following powers and functions in the 2008/09 financial year:

Table 1.2: Powers and functions of the Municipality

POWERS & FUNCTIONS	AUTHORISATION	RESPONSIBLE DEPARTMENT
Air pollution	Yes	Community Services
Building regulations	Yes	Technical Services
Child care facilities	Yes	Community Services
Electricity reticulation	Yes	Technical Services
Fire fighting	No	Mopani District Municipality
Local tourism	Yes	Strategic Planning
Municipal airport	Yes	Community Services, Strategic Planning
Municipal planning	Yes	Strategic Planning
Municipal health services	Yes	Community Services
Municipal public transport	Yes	Community Services
Pontoons & ferries	Yes	Community Services
Storm water	Yes	Technical Services
Trading regulations	Yes	Community Services
Water (potable)	No	Mopani District Municipality
Sanitation	No	Mopani District Municipality
Beaches and amusement facilities	Yes	Community Services
Billboards & the display of advertisements in public places	Yes	Corporate Services, Strategic Planning & Community Services
Cemeteries, funeral parlours and crematoria	Yes, including District Municipality function	Community Services
Cleansing	Yes	Community Services
Control of public nuisance	Yes	Community Services
Control of undertakings that sell liquor to the public	Yes	Community Services
Facilities for the accommodation, care and burial of animals	Yes	Community Services
Fencing & fences	Yes	Technical Services
Licensing of dogs	Yes	Community Services
Licensing and control of	Yes	Community Services

undertakings that sell food to the public		
Local amenities	Yes	Community Services, Corporate Services
Local sport facilities	Yes	Community Services, Corporate Services
Markets	Yes	Community Services, Strategic
Municipal abattoirs	Yes	Community Services
Municipal parks & recreation	Yes	Community Services
Municipal roads	Yes	Technical Services, Community Services
Noise pollution	Yes	Community Services
Pounds	Yes	Community Services
Public places	Yes	Community Services, Corporate Services
Refuse removal, refuse dumps and solid waste disposal	Yes, including District Municipality function	Community Services
Street trading	Yes	Strategic & Community
Street lighting	Yes	Technical Services
Traffic and Parking	Yes	Community Services

1.5.2 Municipal Entities

The Municipality did not have a municipal entity and therefore there was no sharing of powers and functions with any entity nor powers and functions delegated to another entity.

1.5.3 Changes in Management (Section 57 Managers)

The 2008/09 financial year started with all Section 57 Managers' positions filled except for the position of Director Technical Services, which was filled in the third quarter of the financial year.

1.5.4 Demographic Information

Ba-Phalaborwa Municipality is one of five municipalities in the Mopani District of Limpopo Province. It is situated in the North-eastern part of South Africa and covers a geographical area of 3 004.88 km² (which

forms 12% of the total District area). The Municipality serves as a convenient gateway to the Kruger National Park and the Transfrontier Park. Its major towns are Phalaborwa, Namakgale, Lulekani and Gravelotte, with Phalaborwa as the sole economic hub within the municipal area. According to the 2007 Community Survey conducted by Statistics South Africa, the population of the area is estimated at 127 304, which makes 11% of the total district population and there are 33 792 households.

The following table indicates the municipal population by race distribution:

Table1.3: Municipal population according to race groups

Race Group	Number	%	Population increase/decrease/same in the past five years
Blacks	120 020	94%	Decrease
Coloured	496	0.4%	Increase
Indians/Asians	-	-	Same
White	6 780	5.6%	Decrease
TOTAL	127 304	100%	

1.5.5 Socio-Economic Growth

Table 1.4: Trends in socio-economic growth

Socio-Economic Dimension	2007/08	2008/09	Trend
Housing backlog	3 853	4 012	The trend indicate that there is an increase on housing backlog
Unemployment rate	46,5% (Persons)	11.4% (Households heads)	Change of definitions by STATS SA makes it difficult to determine the trend in unemployment.
Unskilled labour	-	-	
HIV/AIDS prevalence rate	-	-	
Value of buildings plans	R120 123.62	R131 234.61	The trend indicates an

processed			increase in the value of building plans processed
Adult literacy levels	-	-	

1.5.6 Challenges Facing the Municipality

- Employment and Job Creation

The general decline of mining operations and the effects of the global economic meltdown resulted in Murchison Mine offloading 300 workers and Sasol Nitro contemplating closure.

- Environment

The following environmental factors are presently recognized as challenges to the Municipality.

- Drought / Water shortage
- De-forestization
- Lack of Environmental Management framework
- No dedicated environmental section
- Prevalent air and water pollution

- Infrastructure and Services

Serious challenges with public infrastructure due to aging road network, aging water and electricity reticulation networks. Provision of water, sanitation, housing and energy provisioning are also challenges in the municipal area.

- Transportation

The existing transport network is not integrated and hence not conducive for the needs of both local residents and visitors in the area. Prices at the local airport don't promote tourism and business investments in the area.

- Housing

The following challenges manifest with regard to the provision of houses in the area:

- Lack of land

- Selling of RDP houses
- Leasing of RDP houses
- Non – payment of casual laborers
- Informal settlement
- Poor workmanship
- Housing consumer education
- Increase in housing demand
- Unemployment

- Safety and Security

Crime is relatively low in the municipal area, but has a negative impact on the tourism ambitions of the area.

- Health, Social and Community Development

2.1 Introduction

This chapter presents the performance of the Municipality on issues around governance structures, co-operative governance and intergovernmental relations, public accountability, and corporate governance in the 2008/09 financial year.

2.2 Governance Structures

The governance structures of the Municipality were divided into the political governance structure and the administrative governance structure.

2.2.1 Political Governance Structure

The political structure comprised of elected representatives (Councillors) who were responsible for approving policies and by-laws and assumed a general oversight role over council functions. The following table presents the names and responsibilities of the political representatives and their various responsibilities in council.

Table 2.1 Members of council and their work designations

Council Member	Position in Council	Other Responsibilities
▪ Exco Members		
Valoyi GD	Mayor	Chairperson Finance Portfolio
Booyesen L		Member Finance Portfolio
Dlamini B		Portfolio committee Head: Technical Services
Mkhari MP		Chairperson Governance & Admin Portfolio
Malatji MP	Ward Councillor – Ward 7	Portfolio Committee Head: Strategic Planning and Information Management
Mabuye PN		Portfolio Committee Head: Community Services

▪ PR Councillors		
Bompe BS		Member of Governance & Administration Portfolio
Hlatshwayo C	Council representative in Mopani District Municipality	Member of Community Services Portfolio
Malatji TJ	Council representative in Mopani District Municipality	Member of Portfolio Committee, Strategic Planning
Mhlanga IR	Chief Whip	
Mametja MM		Member of Community Services Portfolio
Pilusa KL	Council representative in Mopani District Municipality	Member of Governance & Admin Portfolio
Shilote MWJ		Member of Portfolio Committee, Strategic Planning
Maake MD	Speaker	
Malesa MM		Member of Governance & Admin Portfolio
Malatji MD		Member of Strategic Planning Portfolio
▪ Ward Councillors	▪ Ward	▪ Other Responsibilities
Makayela TJ	1	Chairperson Oversight Committee. Member of Strategic Planning and Information Management Portfolio
Malatji KS	2	Member of Finance Portfolio
Popela MR	3	Member of Technical Services Portfolio
Nkuna T	4	Member of Portfolio Committee, Strategic Planning – IDP Head
Du Plooy RJ	5	Member of Technical Services Portfolio
Mashele JG	6	Member of Portfolio Committee, Strategic Planning
Malatji MP	7	Member of Portfolio Committee, Strategic Planning
Chauke MS	8	Member of Community Services portfolio
Malesa ME	9	Member of Community Services Portfolio
Magomane MS	10	Member of Technical Services Portfolio
Malatji BCL	11	Member of Governance & Admin Portfolio

Sono NA	12	Member of Finance Portfolio
Sehlwana NV	13	Member of Technical Services Portfolio
Makwala MO	14	Member of Governance & Admin Portfolio
Rapatsa DM	15	Member of Finance Portfolio
Nziane MP	16	Member of Technical Services Portfolio

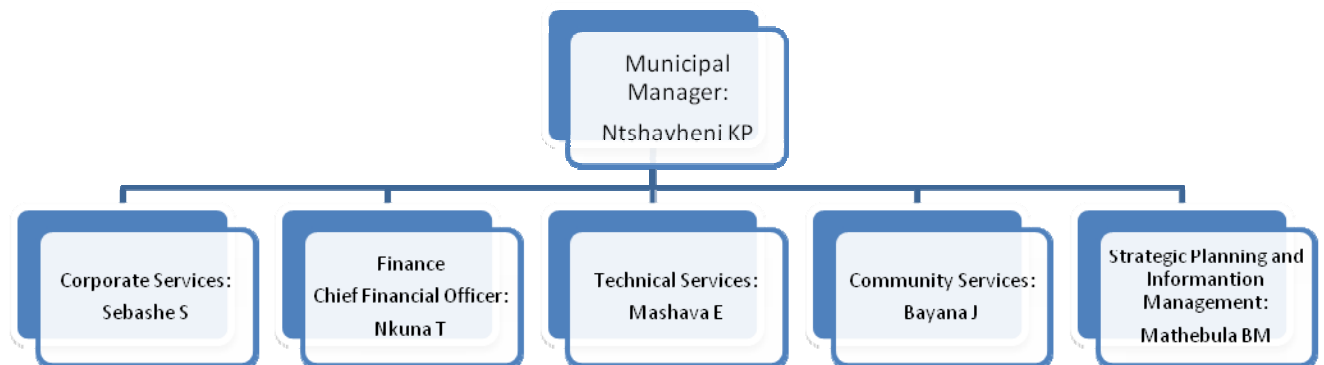
Table 2.2: Ad-hoc Committees Established in 2008/09

Ad-hoc Committees				
Name of Committee	Committee Members		Responsibilities of Committee	Outcome
	Name	Position Held		
Oversight Committee	Makayela TJ – Chairperson	Chairperson	To probe the 2007/08 Annual Report, compile an oversight report and submit to Council.	Annual Report was probed, Oversight Report compiled and submitted to Council. Council adopted the Oversight Committee report and approved the Annual report with reservations, pending the Auditor general's opinion as well as the Performance Audit Committee's comments.
	Malesa MM	Member		
	Malesa ME	Member		
	Popela MR	Member		
	Mhlanga IR	Member		
	Ntshavheni KP	Accounting Officer		
	Davana	Internal Audit (Mopani)		
	Ngobeni TS	Secretary (Municipal official)		
	Masuluke M	Public Representative		
	Adv. Malatji T	Public Representative		
	Smith Z	Public Representative		

2.2.2 Administrative Governance Structure

The administrative governance structure of the Municipality in 2008/09 was as displayed in the organogram. The names of Section 57 Managers who were responsible for the various departments are also provided. All the Section 57 Managers had signed performance agreements.

Figure 2.1 Administrative governance structure of the Municipality in the 2008/09 financial year



2.3 Co-operative Governance and Intergovernmental Relations

The Municipality promoted co-operative governance and intergovernmental relations by participating in intergovernmental structures established for the purposes.

2.3.1 District IGR Forums

The Municipality participated in co-operative governance and intergovernmental relations mainly through District IGR Forums, namely the Mayors' Forum and the Managers' Forum. The structure enhanced the relationship between the Municipality and the District and with other municipalities in the District. The table below indicates the number of meetings held and the participation of the Municipality.

Table 2.3: IGR structures in the Mopani District

IGR Structure	Number of meetings held	Number of meetings attended	Remarks
Mayors' Forum	1	1	None
Managers' Forum	4	2	None

2.3.2 Technical Committees

The Municipality also participated in the following district wide IGR Technical Committees:

Table 2.4: IGR Technical committees in the District

Name of Committee	Council Representative	Remarks
Economic and Development	Director BM Mathebula	

Technical Committee		
Social and Infrastructure Technical Committee	Director E Mashava	
Governance and Administration Technical Committee	Director S Sebashe	

2.3.3 Premier's IGR Forum

The Mayor participated in the premier's IGR Forum and attended all the meetings held in the 2008/09 financial year.

2.4 Public Accountability

The Municipality established structures, mechanisms, processes, and procedures for community participation in line with the provisions of Chapter 4 of the Municipal Systems Act, and with the view to ensuring public accountability. The Municipality recognised the following public participation structures:

- Ward Committees
- Community Development workers
- Government Departments and parastatals
- Non-governmental organisations
- Social welfare organisations
- Community-based organisations
- Traditional leaders
- Business organisations
- All residents of Ba-Phalaborwa Municipality through public meetings and other outreach programmes

2.4.1 Ward Committees

Table 2.5: Ward Committees in the Municipal Area

Number of Ward Committees Established	Number of Ward Committees Functional Throughout the Year	Number of Ward Committee Meetings held	Major Issues Raised	Remarks
16	16	42	Roads, culverts, electricity, Food parcels, High crime rate	Most of the issues were not addressed in the financial year.

2.4.2 Representative Forums

Table 2.6: Forums established in the 2008/09 financial year

Forums Established	Number of Meetings Held	Major Issues Considered	Remarks
IDP Representative Forum	5	Ratification of the phases of the IDP Process	The Rep. Forums were held in accordance with the Phases of the IDP: <ul style="list-style-type: none"> - Preparatory - Analysis - Strategies - Projects - Approval
LED Forum	3	Development and adoption of LED Strategy. Economic meltdown in Phalaborwa Town as a result of possible closure of Sasol Nitro	Participation by stakeholders was not satisfactory. The Forum sent representatives to all the quarterly regional forums.

2.4.3 Imbizos

Table 2.7: Imbizos held in the 2008/09

Imbizos Held	Date	Issues Raised	Actions taken
Lulekani	15 November 2008	Lack of electricity at B1 Extension Lulekani	A meeting was held between the municipality, Eskom, the affected residents and the Minister of public service and administration. It was agreed that electricity will be installed during the 09/10 financial year.
Mashishimale: Lebeko High School	28 April 2009	SASSA food parcels distributed without consulting the community and ward councilor. High Crime rate Bad internal Roads Shortage of Water	SASSA communicates with the ward councilors. Community policing forum established. The Municipality still in a process of buying a grader Municipality in process of installing water meters.

2.5 Corporate Governance

2.5.1 Anti-Corruption and Anti-Fraud

The Municipality has adopted an Anti-Corruption Strategy and Fraud prevention Plan. The enforcement and implementation of the strategy was a challenge due to lack of dedicated personnel.

2.5.2 Internal Auditing

Information on internal auditing appears in Chapter 7 of this report

2.5.3 Audit Committee

The Municipality utilised the services of a district wide shared audit committee. Chapter 7 of this report provides detailed information of the activities of the Audit Committee

2.5.4 Auditor General

The auditor general's opinion on the financial statements of the Municipality is presented in Chapter 9 of this report.

2.5.5 By-Laws and Policies

The following table presents all the by-laws and policies passed and /or reviewed in the 2008/09 financial year

By-Law / Policy	Date of Promulgation	Purpose of By-Law/Policy
By-Laws:		
Taxi Rank	05/08/2009	Provide for the establishment, maintenance and management of taxi ranks
Libraries	05/08/2009	Regulate the use of library materials and equipment
Control of Public Nuisance	05/08/2009	Promote a safe and healthy environment by regulating public nuisances
Property Rates	05/08/2009	
Street Trading	05/08/2009	Regulate street trading
Ward Committee	05/08/2009	
Water Services	05/08/2009	Regulate the use and management of water the resource
Advertising	05/08/2009	Regulate advertising in the municipal area
Encroachment on Property	05/08/2009	Control encroachment into municipal owned spaces.
Water Services Restrictions	05/08/2009	To limit or restrict the use of water
Waste Management	05/08/2009	Regulate the collection, disposal, treatment and recycling of waste in a sustainable manner
Public Amenities	05/08/2009	Control and monitoring of all public amenities in the municipal area
Control of street vendors, peddlers and hawkers	05/08/2009	To regulate the selling of goods and services in public spaces
Informal Settlement	05/08/2009	To provide procedures relating to the management and control of authorized informal settlements and disposal of building materials and personal properties
Cemeteries and Crematoria	05/08/2009	Regulate the usage and management of cemeteries.
Policies:		
Supply Chain Management Policy	2008/09 Resolution 65/09	Regulate supply chain management practices in the Municipality
Tariff Policy	2008/09 Resolution 65/09	To cover the levying of fees for municipal services

Property Rates Policy	2008/09 Resolution 65/09	To guide the annual setting or revision of property rates
Indigent Household Consumer Policy	2008/09 Resolution 65/09	The provision of basic services to the community in a sustainable manner and provide procedures and guidelines for the subsidization of basic service charges to indigent household consumers
Credit Control, Debt Collection and consumer Care Policy	2008/09 Resolution 65/09	To provide a framework for exercising executive and legislative authority with regard to credit control and debt collection
Budget Policy	2008/09 Resolution 65/09	To set out budgeting principles to be followed in preparing each annual budget, as well as responsibilities of the CFO in compiling such budget
Policy on Hiring of Municipal Venues	2008/09 Resolution 65/09	The regulate the utilisation of municipal venues
Tree Policy	2008/09 Resolution 65/09	To protect indigenous trees and endangered species.
Password and Internet Acceptable Usage policy	2008/09 Resolution 65/09	To monitor and control the use of internet by employees of the municipality
Investment Policy	2008/09 Resolution 65/09	To regulate the investment of municipal assets

2.5.6 Information Technology

IT Systems used in 2008/09	Functionality of Systems	Level of Access
SEBATA FMS	100%	Application (Sebata FMS)
MUN ADMIN	80%	Application
MICROSOFT EXCHANGE	100%	AD (Active Directory)

2.5.7 Communication

Description	Existence	Functionality
Communication Unit	YES	YES
Communication Strategy	YES	YES
Communication Policy	YES	YES

2.5.8 Website

The Municipality used www.ba-phalaborwa.gov.za as its official website and the following items were posted in the website in compliance with Section 75 of the MFMA:

Item	Publicized	Remarks
IDP 2008/09	Yes	
Ba-Phalaborwa Municipality Budget Cycle 2007/8	Yes	
2007/2008 Annual Report	Yes	
Ba-Phalaborwa Municipality 2009/10 Budget	Yes	
Mayor's 2009/10 Budget Statement	Yes	
Service Delivery & Budget Implementation Plan (SDBIP) 2009/10	Yes	
Indigent Consumer Subsidy Policy	Yes	
Budget policy	Yes	
Tariff Policy	Yes	
Property Rates Policy	Yes	
Supply Chain Management policy	Yes	
Debt Collection Credit Control Policy	Yes	
Asset Management Policy, Process & Procedures	Yes	
Advertising By-Law	Yes	
Policy on hiring Municipal venues, borrowing of chairs & tables	Yes	
Cemeteries & Crematoria By-Law	Yes	
Control of street vendors By-Law	Yes	
Control of Public Nuisances By-Law	Yes	
Encroachment on property By-Law	Yes	
Informal settlement By-Law	Yes	
Libraries By-law	Yes	
Public amenities By-Law	Yes	
Street trading By-Law	Yes	
Taxi rank By-law	Yes	
Waste management By-Law	Yes	
Water services By-Law	Yes	
Water services restrictions By-Law	Yes	
Adjustments budget	No	These are the documents which are missing on the website. We are at 27% compliance with Section 75 of the MFMA.
Performance Agreements (sec 57(1) (b) of MSA	No	
All service delivery agreements	No	
Long term borrowing contracts	No	
All supply chain Management Contract above prescribed value	No	The Municipality did not enter into contracts above the prescribed value
List of assets over a prescribed value	No	The municipality did not dispose any

which were disposed during the previous quarter		assets over the prescribed value
Contract which have future budgetary implications (Sec 33 of MFMA)	No	The municipality does not have contracts that have future budgetary implications
All quarterly Reports tabled in council (Sec 52 MFMA)	No	

3.1 Introduction

This chapter reports on the strategic development plan adopted by the municipal and how the municipality performed against set strategic objectives. National and municipal key performance indicators are used to measure performance against the strategic objectives. The performance of the municipality against development priority areas that were identified through interactions with the community is also highlighted.

3.2 Strategic Plan Development

The Municipality made a strategic decision to grow the tourism industry with the view to growing the local economy and creating jobs. The vision of the Municipality read as follows:

Growing the economy and creating employment through tourism.

The mission statement read:

- ***To ensure financial viability, sound administration and accountable governance for investor attractiveness***
- ***To render all stakeholders with quality and affordable infrastructure and services for enhancing a safe and better life for all***
- ***To manage the environment for the future sustainable economic growth***

In order to achieve its vision, the Municipality set to live according to the following set of values

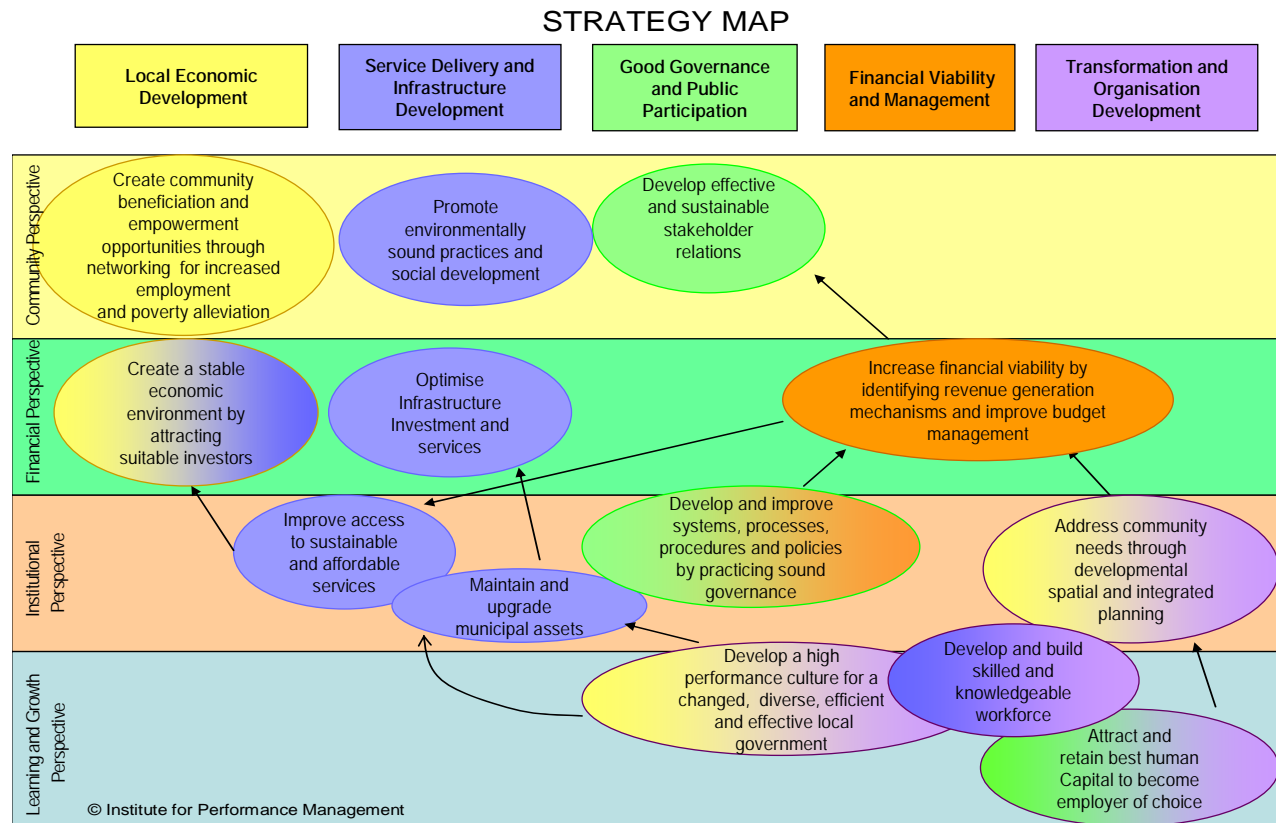
- ***Efficiency and accountability***
- ***Growth and sustainability***
- ***Innovation and creativity***
- ***Professionalism and hospitality***
- ***Conservation***

This chapter aims to report on the implementation and achievement of IDP outcomes. The Municipality adopted 13 strategic objectives which were articulated in the IDP and presented in the form of a Strategy Map. The aim here is to give an overview on the strategic achievement of the Municipality in terms of the strategic intent and objectives stated in the IDP

3.3 Strategic Objectives

Based on the vision and mission statements developed by the Municipality, the following strategic objectives were set (See Strategy Map below):

Figure 3.1: strategy Map depicting the strategic objectives of the Municipality.



The success of the Municipality in implementing its vision, strategic objectives and strategies is reported through the attainment of key performance indicators and critical success factors. The strategic objectives of the Municipality were compatible with national and provincial plans, such as the five Key Performance Areas (KPA) of Local Government. The Municipality adopted a performance management system for monitoring the implementation of the IDP.

3.4 General Key Performance Indicators

According Section 43 of the Municipal Systems Act, the Municipality has to report on the National indicators or General Key Performance Indicators as indicated in the table below:

Table3.1: Attainment of general Key Performance Indicators over the past two financial years

GENERAL KEY PERFORMANCE INDICATOR	% ACCESS	
	2007/08	2008/09
The percentage of households with access to basic level of:		
• Water	92%	95%
• Sanitation	56%	59%
• Electricity	72%	74%
• Solid Waste Removal	65%	67%
The percentage of households earning less than R1 100 per month with access to free basic services	-	-
The percentage of the Municipality's capital budget actually spent on capital projects identified for the financial year in terms of the IDP	86%	58%
The number of jobs created through the Municipality's local economic development initiatives including capital projects		262 Jobs
The number of people from employment equity target groups employed in the three highest levels of management in compliance with the Municipality's approved employment equity plan		
The percentage of the Municipality's budget actually spent on implementing its workplace skills plan		50%
Financial viability pertaining to:		
• Debt coverage		
• Outstanding service debtors to revenue		
• Cost coverage		

3.5 Municipal Key Performance Indicators

In addition, and to complement the general key performance indicators, the Municipality set the following key performance indicators:

Table 3.2: Municipal key performance indicators

KPI	Number of Targets set	Number of Targets Achieved	% of Targets Achieved
Local Economic Development	14	9	70
Land Use Management	4	2	50
Licensing	4	4	100
Disaster Management	1	1	100
Financial Administration	1	1	100
Budget Management and Reporting	3	1	100
Revenue Generation and Management	8	4	50
Supply Chain Management	1	1	100
Employee Wellness and Safety	1	1	100
Human Resources Management	5	3	60
Sound Administration	4	2	50
Performance Management System	2	2	100
Implementation of Batho Pele Standards	1	1	100
Functional Council	1	1	100
Functional Executive Committee	1	1	100
Functional Administration	1	1	100
Integrated Development Plan	1	1	100
Municipal Infrastructure Grant	1	1	100
Infrastructure Development and Management	4	3	75
Traffic Management	3	3	100
Environmental Health Management	5	3	60
Parks Management	6	5	83
Library Services	2	2	100
Total	74	53	72%

3.6 Development Priority Areas

The 2008/09 IDP of the Municipality highlighted development priority areas based on the findings from the Local Area process and other forms of public participation. The priority areas are tabulated below with general comments pertaining to how the Municipality performed in addressing the challenges:

Table 3.3: An overview of municipal performance on identified development priority areas

Development Priorities	Comments
Water and sanitation provision	No new projects were implemented
Electricity Supply	No new electricity connections were made in the financial year.
Housing needs	Blocked housing were attended to
Local Economic Development	
HIV/AIDS	An HIV/AIDS coordinator was appointed to improve coordination HIV/AIDS activities within the institution and across the municipal area. Awareness campaign conducted.
Waste Management	Vehicles were acquired to improve refuse collection services and services were extended to rural areas.
Roads	Some roads in Lulekani and Namakgale were upgraded from gravel to tar whereas others were paid through partnerships. Quagga Culverts erected.
Social Amenities	Funds were acquired towards upgrading Namakgale Sports Centre and Lulekani Stadium. Designs for Namakgale Indoor Sports Centre and Lulekani Sports Precinct done. Selwane Community Library constructed
Institutional Development	Moratorium on new appointments was lifted and some vacant positions were filled
Environmental Management	A state of the environment report was commissioned
Land Use Management	A Land Use Management Scheme and a Spatial Development Framework were developed and drafts presented to Council for adoption

3.7 Local Economic Development

The Municipality was not able to unlock land for private development as a result of land claims and counter claims on strategically located land. Spatial planning was conducted and reports presented in the form of Spatial Development Framework (SDF) and Land Use Management Scheme (LUMS). Plans were put in place to upgrade electricity infrastructure for economic growth in Phalaborwa Town. Streets were upgraded to facilitate mobility and access for local economic growth. Labour intensive approaches were followed in the implementation of capital projects within the municipal area in order to transfer skills and create job opportunities. There are still challenges with regard to mainstreaming labour

intensive approaches in line with the requirements set by the Expanded Public Works Programme (EPWP).

The table below presents the number of jobs created through municipal capital projects:

Table 3.4: Number of jobs created through municipal capital projects

Capital Project	Number of Jobs Created
Selwane TSC – Selwane	68
Flea Market and Rest Station – Namakgale	17
Freedom and Memorial Precinct – Namakgale	26
Tarring of Oliver Tambo Street – Lulekani	73
Tarring of Top Ville Street – Namakgale	52
Quagga Culverts and Stormwater	26
Total	262

4.1 Introduction

Oversight on the implementation of the IDP and performance of the municipality was conducted through the implementation of the SDBIP on a quarterly basis. The SDBIP was approved by the Mayor within the 28 days prescribed period. The aim of this chapter is, therefore, to report on the achievement of the SDBIP targets.

4.2 SDBIP Implementation

Performance Report

This performance report is based on targets set for the implementation of the 2008/09 IDP through the Service Delivery Budget and Implementation Plan. The key performance indicators are classified according to the five key performance areas of local government:

Table 4.1: SDBIP implementation

KPA 1: LOCAL ECONOMIC DEVELOPMENT

Institutional Objective	Annual Target	Actual Performance
Key Performance Indicator: Local Economic Development		
Developed LED strategy	LED Strategy developed and implemented	The draft strategy was adopted by council and published for public comments. Lack of comments on the strategy by the community
Job creation	378	378 temporary jobs (labourers) created through the implementation of infrastructure projects
SMMEs supported	100 SMMEs supported	55 SMMEs supported through business management skills training and accessing government grants (LIBSA/ IDT) The municipality had procured goods and services through quotations from local SMMEs to the value of R6.4 million.
Marula strategy developed	Marula strategy developed and approved	Partnered with the DBSA to develop the Marula strategy

Local Economic Development Performance Highlights and Challenges

The Municipality developed a Local Economic Development Strategy and a draft was adopted by Council referred for public comments. Consolidation of public comments and finalization of the strategy will take place in the 2009/10 financial year. Whilst the Municipality recognises and acknowledges the contribution of the mining sector to the local economy, initiatives have been undertaken to grow the tourism industry in the municipal area with the view to supplementing and enhancing current economic activities.

The Municipality hosted its fourth annual Marula Festival that turned to be a huge success and was for the first time grounded on traditional practices and values. Local traditional leaders (Selwane and Mashishimale) and their communities were afforded an opportunity to act as custodians of the annual marula festivities. Traditional leaders and healers from across the Limpopo Province convened in the municipal area (Muti-wa-Vatsonga) to celebrate the first taste of the Marula Fruit and to appease ancestors. The Municipality still experience challenges in developing a local Marula Strategy with programmes and projects that will add value to local tourism and cultural heritage.

The down scaling of mining operations in the municipal area, evidenced by job losses at the Murchison Mine and the possible closure of Sasol Nitro, threatened the municipal economy and to a larger extent business tourism. Attraction of private sector investment was also impeded by land claims and counter claims that cover over 70% of municipal land. Aging infrastructure (more especially electricity, and water & sanitation) also affected investment attraction into the area.

The Municipality is implementing major projects, through the Neighbourhood Development Partnership Grant (NDPG), aimed at unlocking and improving local socio-economic conditions. The Projects include, Namakgale Indoor Sports Centre, Lulekani Sports Precinct, Selwane Thusong Service Centre, Flea Market and Rest Station, the Freedom and Memorial Precinct, Electronic Advertising Billboards, Gravelotte Dry Park, Lulekani and Namakgale Bus and Taxi Ranks, and Maphuta Malatji Hawkers Facilities. The Municipality has successfully facilitated the launch of co-operatives and supported SMMEs. 378 jobs were created through municipal capital projects and private sector initiatives. The economy of the municipal area was also affected by the high rate of poverty, unemployment and global economic meltdown.

KPA 2: SPATIAL PLANNING AND DEVELOPMENT

Institutional Objective	Annual Target	Actual Performance
Key Performance Indicator 1: Land Use Management		
Developed Land Use Management Scheme (LUMS)	LUMS approved by council	The draft LUMS was tabled in Council for public participation. The draft was forwarded to the drafting team so that it can incorporate all land use related issues in the municipal area
Effective development management	Approved Spatial Development Framework (SDF)	The draft SDF was tabled in Council for public participation. The draft was forwarded to the drafting team to incorporate all spatial planning issues in the municipal area.
	Approved Conditions of Spatial Planning	Awaiting the adoption of the SDF
Improved local area planning	Local area plans approved	Local area plans approved and the information incorporated into the 2009/10 IDP.
Development of Housing Sector Plan	Housing plan approved by council	Comments on draft Housing Sector Plan forwarded to the Dept. of Local Govt. & Housing
Key Performance Indicator 2: Licensing		
Transfer prescribed % of the collected licensing fees to the DoRT on time	80% of license revenue collected transferred to the DoRT (Province)	Transfers of 80% of licensing to the DoRT done on time
Compliance to K53 system to maintain A grade	Municipal compliance to K53 A grading system	100% compliance to K53 system
Compliance of SABS code (026 0219) for road worthy testing to maintain A grading	Municipal compliance to SABS code (0260219)	100% compliance to SABS code 0260219 for road worthy testing
Improve on driver's license waiting period	3 months drivers' license waiting period	Achieved 2 months waiting period for drivers' license testing
Key Performance Indicator 3: Disaster Management		

Institutional Objective	Annual Target	Actual Performance
Disaster management	Establish Disaster Management Control Room (Furniture & Equipment)	Fully equipped and functional control room not established
	Draft Disaster Management Plan approved by Council for public comments	Disaster Management Plan not reviewed
	Draft Disaster Mitigation procedures approved by Council for public comments	Disaster mitigation procedures not drafted

Spatial Planning and Development Performance High Lights and Challenges

The draft Spatial Development Framework (SDF) and Land Use Management Scheme (LUMS) documents were compiled and tabled in Council. The drafts have since been referred for public comments and final consolidation in the next financial year (2009/10). The documents, as soon as they are adopted and promulgated for implementation, will assist towards improved regulation of local space for social and economic development.

KPA 3: FINANCIAL VIABILITY

Institutional Objective	Annual Target	Actual Performance
Key Performance Indicator 1: Financial Administration		
Reviewed internal controls	Internal controls approved by council	All financial policies including budget related policies approved by Council on 28 May 2009
Key Performance Indicator 2: Budget Management and Reporting		
Approved Operating and Capital budgets for 2009/2010	Approved MTREF Budget for 2009/ 10	2009/10 MTREF Budget was approved by Council on 28 May 2009
Five Year Financial Plan	Developed Five Year Plan	3-Year MTEF Budget compiled but not a 5-Year Financial Plan
Reporting as required by MFMA is adhered to	All reports submitted by due dates	Submission of monthly reports to the Mayor and Treasury is not done within 10 days as required by MFMA
Key Performance Indicator 3: Revenue Generation and Management		

Institutional Objective	Annual Target	Actual Performance
% of existing accounts screened and rectified	60% of accounts screened	10% of accounts screened (top 1000 accounts)
% improvement in collection rate on current billing	85% of accounts billed	Billing done in Phalaborwa, Namakgale and Lulekani. Billing not yet extended to rural areas that have yard connections (water)
% improvement in collection rate on current billing	100% collection on current account	70% collection on current account
% reduction in municipal debt book	25% collection on arrear debt i.e. R47 million.	Recruited staff for the Debt Collection Unit
% of the monthly municipal service accounts rendered on time	100% of accounts rendered on time	Not all customers receive their accounts on time.
% Reduction in consumer queries received	60%	Consumer queries reduced by 30%. (No records of consumer queries were kept)
Implement valuation roll and requirements of the Act	Valuation roll implemented	Finalized draft valuation roll for residential and farming areas. The implementation of the valuation roll due in July 2009
Develop and implement revenue enhancement strategy	Implement approved revenue enhancement strategy	The short-term revenue enhancement strategy approved by council in May 2008. The establishment of debt collection unit is part of implementation strategy
Indigent Policy	Indigent Policy reviewed and updated Indigent Register	Indigent Policy approved by Council and registered 2650 indigent households
Key Performance Indicator 4: Supply Chain Management		
A functional supply chain management function	Review SCM Policy	Policy was approved by Council on 28 May 2009
	SCM reports submitted to Treasury in compliance with the MFMA	Backlog in MFMA reporting in relation to SCM since the Head SCM only started duty in November 2008

Financial Viability Performance Highlights and Challenges

The Municipality has improved internal financial controls by amongst other things approving financial policies on the 28th of May 2009. All financial reports in the financial year under review were submitted in time. A debt collection unit was established to address and improve debt collection. The Debt Collection in the financial year was averaged at 70% on current account. Cases of consumers not receiving accounts in time were still manifesting by the end of the financial year under review. The Municipality managed to develop a draft valuation roll, review the indigent policy and update the indigent register. The functionality of the Supply Chain Management Unit has also been improved tremendously.

KPA 4: TRANSFORMATION AND ORGANIZATIONAL DEVELOPMENT

Institutional Objective	Annual Target	Actual Performance
Key Performance Indicator 1: Employee Wellness and Safety		
Safe and healthy environment	100% Employee satisfaction rating	90% (The questionnaire was not responsive to develop the new one in 2009/10)
	Health and Safety policies and procedures fully implemented	90% (4 safety inspections done and 08 safety talks done as per the annual safety rooster)
Key Performance Indicator 2: Human Resources Management		
Maintained organizational structure	40% of vacant posts filled (86 posts)	Filled 47 posts through new appointments including 10 staff in 2-year debt collection unit. Completed the placement of staff on the approved organogram
% of signed employment contracts (Sec 57 managers)	100%	100% (all section 57 managers and MM signed annual performance contracts)
Skills Development	WSP - Annual training report	Implemented the 2008/09 WSP wholly – deviations by some directorate that sent staff to training outside the WSP provisions
	2009/10 WSP completed and submitted by the end June 2009.	2009/10 WSP completed and submitted to LGSETA on the 26 th June 2009

Institutional Objective	Annual Target	Actual Performance
% of job descriptions signed for all posts	Job descriptions for all positions signed and approved	Job descriptions not signed. Awaiting provincial outcomes on the benchmarking of the Organogram by the PJEC
Institutional job evaluation	Job descriptions consulted at LLF	Job descriptions not submitted to LLF
Total % of women in municipal staff establishment	30% of women appointed in the institution (35 women)	Appointed 18 women.
Key Performance Indicator 3: Sound Administration		
Approved by-laws policies and strategies	Number of by-laws, policies and strategies approved	14 By-Laws approved by Council and submitted for promulgation. Awaiting the promulgation to develop an implementation plan
Functional delegations of powers and functions	Approved Delegations of powers and functions	Reviewed delegations of powers and functions submitted to the Portfolio Committee.
Effective communication with stakeholders	Approved Communications Strategy and Implementation Plan	Communication Strategy not submitted to Council
A functional Information and Communications Technology system	Implementation of IT infrastructure management plan	IT infrastructure development plan not adopted
	Standardization of IT equipments	Standardization of IT equipments on HP for both notebooks and desktops
	Approved MIMSP	Draft MIMSP consolidated for submission to the Portfolio Committee
Key Performance Indicator 4: Performance Management System		
Compilation of annual and quarterly performance reports and SDBIP	2008/09 Quarterly reports submitted on time, draft SDBIP available for approval	Quarterly reports submitted on time and inputs on draft SDBIP submitted
Implementation of Individual Performance management	Quarterly performance assessments concluded	4 th Quarter performance assessments outstanding

Transformation and Organisational Development Performance Highlights and Challenges

Placement of staff was completed and 47 positions filled. All Section 57 managers signed their performance contracts in time. A significant improvement has been made in the appointment of women.

KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Institutional Objective	Annual Target	Actual Performance
Key Performance Indicator 1: Implementation of Batho Pele Standards		
% external customer satisfaction rating per department (Batho Pele)	100%	90%
% critical success factors of clients dissatisfaction addressed per directorate	100%	90% Complaints Management System not fully implemented
Telecommunication to be attended to within 20 minutes of receipt	100%	100%
Telephones must be answered within 3 rings	100%	90% (Some employees still do not transfer their telephones when leaving offices)
Key Performance Indicator 2: Functional Council, EXCO and Administration		
Number of ordinary special council sittings	4 ordinary Council meetings held	4 ordinary council and 3 Special Council meetings held
Number of ordinary and special Executive Committee meetings	12 ordinary Executive Committee meetings held	12 ordinary EXCO and 1 special EXCO meetings held.
Number of Ordinary and Special Portfolio Committee meetings	12 ordinary portfolio committee meetings	12 ordinary portfolio committee meetings held
Number of Management and Extended Management meetings	12 senior management and 06 extended management meetings held	12 senior management meetings 04 special senior management meetings held
Number of Special and Ordinary Local Labour Forum meetings.	12 local labour forum meetings	09 No LLF was held during the 4 th Quarter due to unavailability of labour
Key Performance Indicator 3: Integrated Development Plan		

Institutional Objective	Annual Target	Actual Performance
Key Performance Indicator 1: Implementation of Batho Pele Standards		
Council adopted IDP	2009/10 IDP adopted before 31 May 2009	2009/10 IDP was adopted by council on 28 May 2009

Good Governance and Public Participation Performance Highlights and Challenges

The Council and Executive Committee structures were functional with all scheduled meetings held and proper procedures followed. Management meetings were also held on a regular basis. The 2009/10 IDP was adopted within stipulated timeframes.

KPA 6: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

Institutional Objective	Annual Target	Actual Performance
Key Performance Indicator 1: Municipal Infrastructure Grant		
Implemented Municipal Infrastructure Grant (MIG)	Developed and adopted Municipal Infrastructure Investment Framework Strategy	The draft MIIFS developed with the assistance of DLGH
% improvement on MIG expenditure against budget allocation	100%	92% (balance committed to verifiable projects)
% improvement on the number of EPWP projects	Enroll 3 MIG Projects as EPWP	34% (Only one project is enrolled as EPWP)
Key Performance Indicator 2: Infrastructure Development and Management		
Infrastructure Investment Plans	Draft Infrastructure Investment Plan	Draft submitted
	Draft Infrastructure Asset Register	Draft not developed
	Approved Quarterly Roads Grading Programme and implementation report	Program approved per quarter but problems with implementation due to regular breakdown of the grader
Infrastructure Operations and Maintenance Plans	Approved Quarterly Potholes Repair Programme and implementation report	Program approved per quarter but problems with implementation due to shortage of material

Institutional Objective	Annual Target	Actual Performance
Key Performance Indicator 1: Municipal Infrastructure Grant		
	Approved quarterly stormwater and culverts maintenance programme & implementation report	Program approved per quarter but problems with implementation due to shortage of manpower
	Approved Quarterly Municipal Buildings Maintenance Programme & implementation report	Program not fully implemented due to shortage of materials
	Approved water infrastructure reticulation system maintenance plan	Program not approved
	Approved electricity network maintenance plan	Program not approved
	Infrastructure Project Management Plans in place for all infrastructure projects	Project Management Plans for Quagga stormwater, Lulekani street II B, Selwane TSC, Flea Market & Rest station, Intermodal and Freedom & Memorial precinct
A reliable electricity network	Replacement of switchgears at Lantana, Wildevy, & school sub-stations.	Project at procurement
	Replacement of 5.6km of electricity reticulation cables	Project at procurement
	Replacement of 64 overhead line poles	Project at procurement
A safer and well illuminated environment	Installation of solar based/energy efficient high masts and street lights	Project at design stage
Improvement of public facilities	Formation of cooperatives for Streets Paving, Stormwater culverts and speed humps.	Project at design stage and 01 cooperative for brick-making has been registered
Development of Ba-Phalaborwa cultural village	Construction of the cultural village	Preliminary designs for the cultural village submitted.
Development Ba-Phalaborwa Freedom and Memorial Precinct	Construction of Freedom and Memorial Precinct	All the walls of the building have been constructed.
Development of Selwane Thusong Service centre	Construction of Selwane TSC	Construction is at wall level
Development of Maphuta-Malatji Hawkers facilities	Construction of the hawkers facilities	Construction has not started due to land unavailability

Institutional Objective	Annual Target	Actual Performance
Key Performance Indicator 1: Municipal Infrastructure Grant		
Corridor development(Branding)	Completed the branding of major routes	Preliminary designs submitted
Development of Ba-Phalaborwa Indoor Sports Centre	Commence construction of the Indoor Sports Centre	Construction has not started due to funding shortfall
Development of Ba-Phalaborwa Sports precinct	Commence construction of the Sports precinct	Construction has not started due to funding shortfall
Development of Intermodal Bus and Taxi Ranks and Hawkers facilities	Construction of Namakgale and Lulekani Bus and taxi ranks	Commenced construction of Lulekani bus and taxi rank. Delays with the construction of Namakgale bus and taxi rank due to land availability
Key Performance Indicator 3: Traffic Management		
Roads safety management	Procurement of patrol vehicles for traffic officers – minimum 2 vehicles	Specifications submitted to Supply Chain Management
	Quarterly patrol and road safety management report	26 Road checks; 22 Speed checks & 2 Arrive Alive Campaigns
Security guards available at their posts	Monthly Security Deployment Rooster approved and implemented	Deployment rooster approved and 35 Security Guards posted per month
Well managed access to municipal buildings	Draft Access control policy submitted for approval	Requested IDT to assist with drafting of Policy due to lack of in-house capacity
Roads markings and signage	Quarterly reports on roads marked and signage erected	Road marking 4 800 m Road signs repaired 44
Installed Traffic Signs	Traffic signed installed on identified streets	Traffic signs installed – 0. All traffic signs procured
Key Performance Indicator 4: Environmental Health Management		
Full rehabilitation of Phalaborwa Waste Disposal Site	Commence with establishment of new waste disposal site: EIA approval	Rehabilitation has not commenced (the disposal site still operational)
Extend waste removal services to rural areas	Refuse removal services in Mashishimale	4 Drivers and 6 Labourers appointed to commence service in July 2009
% Food handling premises conform to standard	100% of food handling premises conforming	70% (health inspections conducted in 70% of the premises)
Street cleansing	100% Implementation of daily street cleansing programme	85% (due to staff shortage)
A clean environment	12 clean-up campaigns per annum	4
Key Performance Indicator 6: Parks Management		

Institutional Objective	Annual Target	Actual Performance
Key Performance Indicator 1: Municipal Infrastructure Grant		
Functional equipment for the maintenance of parks and open spaces	Purchase of new and replacement of Parks equipment: <ul style="list-style-type: none"> • Slashers • Mowers • Weed eaters • Poison sprays • Skid units • Power saws • Generators • Pressure cleaner • Hedge cutters • Nursery shade houses 	Equipment not procured due to cash flow problems
Light grading of 77 informal soccer fields twice annually	Top cover light grading of informal soccer fields	Graded 76 informal soccer fields as per roster
All 3 stadiums and formal soccer fields maintained, mowed and marked	All 3 stadium soccer fields mowed regularly (monthly in spring & summer and every 2 months in autumn & winter)	All fields mowed, marked and irrigated
Fully maintain, mow and develop parks and gardens	Mow and maintain all developed parks and gardens and every 2 months	100% compliance regarding general maintenance 50% compliance regarding mowing and irrigation
Total elimination of identified schedule 1 alien plants	Identify prevalent schedule 1 alien plants and their locations/sites	Attended to urgent and emergency schedule 1 alien plants
Plant a minimum of 200 indigenous trees	Commence with the Treepreneurs tree project through ECO-Clubs & support of Dept of Agriculture	Planted trees and shrubs at Leka-Gape in Lulekani
Key Performance Indicator 7: Library Services		
Library outreach programs	Have four annual library outreach programs	4
Facilitate Establishment of Selwana Community Library Well resourced libraries	Selwane library services establishment plan approved	Plan not yet submitted
	Coordinate infrastructure improvement for libraries	Renovation of Leboneng Library entrance and site hand over for painting and installation of new air conditioners at Gravelotte library

Service Delivery and Infrastructure Development Performance Highlights and Challenges

- **Provision of Free Basic Services**

Free Basic Electricity (FBE)

The Municipality has an indigent Policy and Indigent Register for the management of the provision of Free Basic Services. In the year under review, the Municipality had 11 400 households who received free basic services in the form of water and electricity. Out of 7 333 households registered by Eskom and qualified to receive free basic electricity (FBE), only 5 086 (69, 36%) households collected their FBE coupons. The Local Energy Forum utilised the services of ward councillors, traditional leaders and ward committee members to encourage qualifying households to register as indigents and further collect their electricity coupons on a regular basis.

The provision of FBE was hampered by poor access to vending stations and the R2.00 extra charge levied on households when purchasing electricity. These national challenges have been raised with Eskom through the District Energy forum.

Free Basic Water

The Municipality provided free and portable basic water to households. It was, as result, able to protect the Ba-Phalaborwa community from the recent outbreak of cholera. The biggest challenge was cost recovery on the services rendered. Poor revenue collection renders municipal services unsustainable and poses threats on the maintenance of the already aged infrastructure.

- **Provision of Electricity**

Ba-Phalaborwa Municipality is licensed to supply electricity in Phalaborwa Town only (covering 4 152 households), whereas Namakgale, Lulekani and the rural villages are supplied by Eskom. The Gravelotte CBD and its immediate residential area are supplied by Greater Tzaneen Municipality, whereas the RDP section is serviced by Eskom. At the beginning of the 2008/09 financial year, the Municipality's electricity backlog was at 8 271 households. Two separate electrification projects reduced the backlog to 8 000 households by the end of the financial year under review. 126 units were connected at Mashishimale and another 145 units electrified in Namakgale Zone D and Zone E.

At the current rate of allocation of units it is clear that the Municipality is not going to achieve the 2012 national target of eradicating electricity (energy) backlog. Applications for electrifying Biko and Matiko-Xikaya villages were not approved by the Department of Minerals and Energy.

- **Provision of Water and Sanitation**

The Municipality managed to provide sufficient water to all the wards through out the financial year. The provision of infrastructure was not implemented especially in extensions due to the process of registration and approval of business plans by Mopani District Municipality and DWAE, respectively.

The Municipality benefited from water and sanitation infrastructure at Namakgale RDP houses funded by DPLG&H for 332 households/ stands. The Municipality also benefited from the sanitation programme for 1000 VIP's funded by Mopani District Municipality. The municipality managed to maintain the existing infrastructure by repairing pipe bursts and blocked pipes within 24hrs. The challenge faced by the Municipality is lack of resources for maintaining and replacing aged infrastructure.

- **Waste Management**

In June 2009, four drivers and six labourers were appointed in order to extend refuse removal services to Mashishimale R1, R2, R3 and Mandela Village. Refuse removal services are planned to commence in the next financial year with 6 496 households expected to benefit.

The Municipality operates one landfill site only (in Phalaborwa Town) for the entire municipal area. However, the landfill site operates without a permit or license. Land for a new landfill site could not be developed as a result of land claims and other logistical arrangements on the targeted portion. The closed landfill sites at Namakgale, Lulekani and Gravelotte have been partially rehabilitated. There is a need to completely rehabilitate the landfill sites in accordance with the applicable environmental regulations in the coming financial year.

The Municipality won the Provincial Cleanest Town competition and obtained second runner-up position in the National competition. Overall, the total prize received amounted to R800 000, 00 with two trophies and two certificates. There is however a need for a landfill compactor if the Municipality is to maintain and possible improve its performance in future competitions.

At least one clean-up campaign was held every month whereby school, eco clubs at schools, the youth and the community as whole were involved. Several “No Dumping” signs were also erected during the clean-up campaigns. The local mines were also involved in sponsoring clean-up campaigns and assisted in organising and providing promotional material during the campaigns where schools, the youth and the communities were involved.

The waste management section has a vacancy rate of 22% and it negatively affects cleansing services, especially street cleansing. It impacts on the maintenance of the cleanliness culture of the Municipality. There is also a need to review the current Waste Management Plan to accommodate rendering of new services and resultantly acquisition of suitable equipment. The Municipality has to improve on its waste management methods and put more emphasises on waste minimization and recycling.

- **Provision and Maintenance of Roads and Stormwater Drainage**

Ba-Phalaborwa Municipality is obliged to render service delivery to the communities within its area of jurisdiction by, amongst others services, providing new quality roads and whilst maintaining the existing ones. The roads and stormwater section of the Municipality has a duty to provide the community of Ba-Phalaborwa with safe roads and to control floods by providing drainage systems.

Roads and Stormwater Projects

The Municipality completed the construction of Lulekani O.R Tambo Streets Tarring Phase 2 and Quagga Stormwater control Culverts Phase 1 in the financial year under review. Mopani District Municipality implemented Maseke Road Phase 4 and Makhushane/Nyakelani Road within the municipal area. Residents raise challenges with regard to the quality of the roads constructed by the District Municipality. The roads surfaces peel off under high temperatures and normal usage by the public. The challenge has, however, been brought to the attention of the District.

Roads Maintenance and Grading

The Municipality had a roads maintenance schedule that was made known to the community through the ward committees. The schedule was not properly followed as a result of lack of machinery, material and manpower from time to time. Occasional breakdown of the Municipal grader made it difficult to adhere to the approved grading programme. Council has since made an approval for the purchase of a new grader in the next financial year.

Potholes on Municipal Roads

Most of the roads have outlived their design life span and resultantly have a lot of cracks and potholes, particularly during the rainy season. The Municipality and Foskor have reached an agreement to embark on a street rehabilitation programme in Phalaborwa Town over a four year period.

- **Provision of Road Safety and Security**

The traffic section of the Municipality is manned by six staff members who have to perform daily road traffic enforcement and at the same time cover special events as and when they occur. Amongst the special events covered, the section handled marathons, fun walks, bicycle races, funerals, VIP visits, etc. the section also participated in national programmes such as Arrive Alive, Operation Juggernaut and Operation Pave.

A total of 34 special duties were attended to, excluding VIP visits and special funerals. The annual Marula festival was successfully handled, with traffic officers having to work day and night providing road safety.

Challenges experienced include shortage of staff. Only six positions were filled out of 13 as provided in the organogram. The high vacancy rate compromised service delivery and subjected traffic officers to strenuous working conditions, like having to work overtime. Another challenge was as a result of the new Procurement Policy that prolonged the procurement process.

- **Licensing**

The table below presents statistics on the performance of the licensing section towards service delivery to the community:

Table 4.2: Licensing Statistics for the year ended June 2009

Service Description	Number
Vehicles registered	3 190
Learner's Licenses Issued	1 608
Driver's Licenses Issued	840
Roadworthy Tests Done	507
Vehicles Licenses Renewed	20 033
Licensing awareness programmes conducted	None

4.3 Major Projects Implemented through Grant Funding

Projects are reported per functional area and reasons are given for none implementation of projects.

Table 4.3: major projects earmarked for implementation through NDPG grant funding

IMPLEMENTING DEPARTMENT	PROJECT		STATUS ¹ END JUNE 2009		COMMENTS
	NUMBER	NAME	TARGET	ACTUAL	
Strategic Planning and Information Management					
	NDPG/01	Projects Scope of Work	100%	100%	Scope of work complete (100%)
	NDPG/02	Preliminary Designs	100%	90%	Preliminary designs complete for Integrated Intermodal Transport Bus and Taxi Ranks: Namakgale & Lulekani, Flea Market & Rest Station, Freedom & Memorial Precinct, Namakgale Indoor Sports Centre, Lulekani Sports Precinct, and Electronic Billboards. Designs for abandoned projects not done.
	NDPG/03	Business & Implementation Plans	100%	70%	Draft business plans in place
		IDP			
	NDPG/04	Selwane Thusong Service Centre: Selwane	Construction in progress	Construction in progress	Project under construction

		LED			
	NDPG/05	Flea Market and Rest station: Namakgale	Design and construction of the Flea market and Rest Station	Project under construction	Project at construction (70%)
	NDPG/06	Marula Product Strategy	Complete Marula Product Strategy	Project not done	DBSA reviewing implementation. Provincial Marula Strategy customized
	NDPG/07	Retail Development Facilitation Infrastructure for New Mall: Namakgale	Infrastructure development for the New Mall	Project stagnant due to non movement by the project champions	Not done, project dependent on movement by owners of the Mall to initiate construction and infrastructure specifications.
	NDPG/08	LED Facilitation Initiative (Business Education Centre): Namakgale	Established Business Education Centre	Project deferred to be accommodated in the Freedom and Memorial Precinct	Project discontinued and to be accommodated in the Freedom and Memorial Precinct.
		Town Planning and Development			
	NDPG/09	Corridor Development: Namakgale, Lulekani and Phalaborwa	Design and construct electronic billboards	Designs complete, project at construction phase to resume in the new financial year.	Project at construction (45%).
Technical Services	Roads and Stormwater				
	NDPG/10	Speed Humps: Namakgale, Lulekani, Makhushane,	Appointment of Engineers to	The project was at tender stage	The 2008/09 allocation of R9,500,000 was not sufficient

		Mashishimale, Maseke, Matiko-Xikaya, Benfarm, Gravelotte	supervise Construction of Speed humps		for this project to be implemented. It was moved to the 2009/10 financial year
	NDPG/11	Streets Paving and Stormwater Drainage: Namakgale and Lulekani	Final designs complete	Final designs approved	
		Electricity			
	NDPG/12	Solar-Based High Masts and Street Lights: Namakgale, Lulekani, Makhushane, Maseke, Mashishimale, Benfarm, Humulani, Matiko-Xikaya, Gravelotte and Selwane	Procurement of professional service provider	Service provider appointed and commenced with designs	
	Buildings and Infrastructure Development				
		Maphuta Malatji Hospital Hawkers Facilities: Namakgale	Commence with construction	Construction did not commence	Delayed due to unavailability of land.
	NDPG/13	Upgrade of Inter-modal Bus and Taxi Ranks: Namakgale, Lulekani, Makhushane, Maseke, Mashishimale, and Majeje	Commence with construction	Construction commenced in Lulekane	Construction in Namakgale did not commence due to unavailability of land
Community Services	Traffic				
		Sports and Youth			
	NDPG/17	Ba-Phalaborwa Indoor Sports Centre: Namakgale	Planning and Designs	Design completed and approved	Implementation will commence in the 2009/10 financial year
	NDPG/18	Sports Precincts Upgrade: Lulekani Stadium	Planning and Designs	Design completed and approved	Implementation will commence in the 2009/10 financial year
	NDPG/19	Murry Foundation Sports Academy: Gravelotte			The project has not started.
		Libraries, Education and Cultural Heritage			

	NDPG/20	Ba-Phalaborwa Cultural Village: Ba-Phalaborwa	Appointment of Service provider	Service provider appointed and commenced with designs	
	NDPG/21	Ba-Phalaborwa Heritage Centre: Two Mountains			Project abandoned
	NDPG/22	Libraries and Educational Precinct: Makhushane, Maseke, Mashishimale and Benfarm			Project abandoned
	NDPG/23	Ba-Phalaborwa Freedom and Memorial Precinct: Namakgale	Complete Construction	Progress is at 70%	Project duration extended
Corporate Services	Legal and Administration				
	NDPG/24	By-Laws: Ba-Phalaborwa	In progress		By-laws have been done and adopted by Council on the 28 th May 2009
Municipal Manager	Communications				
	NDPG/25	Branding: Gravelotte, Namakgale, Lulekani and Phalaborwa			Project at construction phase (45%)

Table 4.4: Projects earmarked for implementation through MIG

IMPLEMENTING DEPARTMENT	PROJECT		STATUS END JUNE 2009		COMMENTS
	NUMBER	NAME	TARGET	ACTUAL	
Technical Services	PMU				
	MIG/01	Gravelotte Tarring (RDP Street 5,0km) Phase 1, 2 & 3: Gravelotte	0 km	0 km	Project planned and approved for implementation in 2009/10 FY. Project at planning stage by 30 June 2009.
	MIG/02	Lulekani Tarring (Oliver Tambo Street 6,5km) Phase 2,3 & 4: Lulekani	1.95km	1.95km	Project was at 96% physical progress by 30 June 2009
	MIG/03	Taxi Rank Streets (2,0km): Phalaborwa CBD	0 km	0 km	Project planned and approved for implementation in 2009/10 FY.
	MIG/04	Namakgale Tarring (Top Ville Street 6,5km) Phase P 2,3 & 4: Namakgale	2.789 km	0.81 km	Project planned as a multi-year for 2008/9 and 2009/10 FY. 30% of construction progress registered by 30 June 2009.
	MIG/05	Quagga Culverts and Stormwater: Matiko-Xikaya	1 X Bridge	1 X Bridge	Completed the scope of work and additional works at 60% progress by 30 June 2009. No road works done due to insufficient budget

CHAPTER 5 ORGANISATIONAL DEVELOPMENT PERFORMANCE

5.1 Introduction

This chapter gives an account on the organisational development performance with regard to the municipal workforce. Attention is paid to managing the municipal workforce, capacitating the workforce, and managing municipal workforce expenditure.

5.2 The Municipal Workforce

The total workforce in the 2008/09 financial year averaged 461, with blacks constituting 97% of the workforce population. 74 new staff members were recruited whilst 20 left the employ of the Municipality. No persons with disabilities were appointed to nor terminated from the service of the municipality. The Municipality did not have a foreign national employed by Council in the financial year. 240 positions were not filled and therefore accounted for as vacant positions. The tables below give detailed accounts of the municipal workforce in the year ended 30 June 2009:

5.2.1 Municipal Employees by Race

The table below shows workforce distribution according to race groups in the 2008/09 financial year.

Table 5.1: Workforce distribution according to race groups

Race Group	Number	Percentage of Workforce
Blacks	385	96
Whites	16	4
Indians/Asians	None	0
Coloureds	None	0
Total	401	100

The number of positions filled (401) constituted 66% of the positions (610) in the staff establishment or organogram.

5.2.2 Employees Recruited

The table below presents the number of employees recruited in 2008/09 per post level and divided into race and gender:

Table 5.2: Number of employees recruited in 2008/09 per post level and divided into race and gender

Post Level	Race Groups by Gender								
	Blacks		Whites		Indians/Asians		Coloureds		Total
	M	F	M	F	M	F	M	F	
Section 57	1								1
1									0
2									0
3	7	2							9
4	3								3
5	4	2	1						7
6	2	1		2					5
7	3	3							6
8	1	4							5
9									0
10	2	3							5
13	10								10
17	8	15							23
Total	41	30	1	2	0	0	0	0	74

The Municipality aimed to improved service delivery by hiring more labourers than managers, with 51% of the appointments being at post level 10 and below.

The table below presents the number of disabled employees recruited in 2008/09 per post level:

Table 5.3: The number of employees recruited per post level

Post Level	Number of Disabled
Section 57	None
1	None
2	None
3	None
4	None
5	None
6	None
7	None
8	None
9	None
10	None
11	None
12	None
Total	None

5.2.3 Services Terminated

The following table presents the number of employees per post level whose services were terminated in 2008/09 – divided into race and gender:

Table 5.4: Number of employees whose services were terminated

Post Level	Race Groups by Gender								
	Blacks		Whites		Indians/Asians		Coloureds		Total
	M	F	M	F	M	F	M	F	
Section 57									
1	-	-	-	-	-	-	-	-	0
2	-	-	-	-	-	-	-	-	0
3	1	1	2	-	-	-	-	-	4
4	-	-	-	-	-	-	-	-	0
5	1	-	1	1	-	-	-	-	3
6	-	1	1	1	-	-	-	-	3
7	2	-	-	1	-	-	-	-	3
8	1	2	-	-	-	-	-	-	3
9	-	-	-	-	-	-	-	-	0
12	1	-	-	-	-	-	-	-	1
13	1	-	-	-	-	-	-	-	1
17	2	-	-	-	-	-	-	-	2
Total	9	4	4	3	0	0	0	0	20

The following table presents the number of disabled employees whose services were terminated in 2008/09:

Table 5.5: Number of disabled employees whose services were terminated

Post Level	Number of Disabled
Section 57	None
1	None
2	None
3	None
4	None
5	None
6	None
7	None
8	None
9	None
10	None
11	None
12	None
Total	None

5.2.4 Foreign Employees

Number of foreign employees divided into race and gender per post level:

Table 5.6: Number of foreign employees divided into race and gender per post level

Post Level	Foreigners According to Race Groups by Gender								
	Blacks		Whites		Indians/Asians		Coloureds		Total
	M	F	M	F	M	F	M	F	
Section 57	None	None	None	None	None	None	None	None	None
1	None	None	None	None	None	None	None	None	None
2	None	None	None	None	None	None	None	None	None
3	None	None	None	None	None	None	None	None	None
4	None	None	None	None	None	None	None	None	None
5	None	None	None	None	None	None	None	None	None
6	None	None	None	None	None	None	None	None	None
7	None	None	None	None	None	None	None	None	None
8	None	None	None	None	None	None	None	None	None
9	None	None	None	None	None	None	None	None	None
10	None	None	None	None	None	None	None	None	None
11	None	None	None	None	None	None	None	None	None
12	None	None	None	None	None	None	None	None	None
Total	None	None	None	None	None	None	None	None	None

5.2.5 Vacancies

The following table presents the number of vacancies in 2008/09 per post level:

Table 5.7: Number of vacancies in 2008/09

Post Level	Total Number of Positions in the Organogram	Number of Vacancies	% of Vacancies per Post Level
Section 57	6	0	0
1	0	0	0
2	0	0	0
3	20	3	15%
4	12	6	
5	23	6	26%
6	21	6	29%
7	54	9	17%
8	50	18	36%
9	30	7	23%
10	41	10	24%
11	0	0	0
12	23	11	48%
13	24	0	0
14	15	0	0
15	40	8	20%
16	5	0	0
17	277	156	56%
Total	641	240	37.4%

5.2.6 Staff Turnover

The Municipality's staff turnover rate was at 5% for the financial year. The following formula was used to calculate the employee turnover rate for the year ended 30 June 2009:

$$\begin{aligned}\text{Employee turnover rate} &= (\text{Number of separations} / \text{Number of employees mid year}) \times 100 \\ &= (20/401) \times 100 \\ &= 4,99\%\end{aligned}$$

Most of the terminations were at post level 3 (Assistant directorship followed by post levels 5, 6, 7 and 8 (See table on **number of services terminated**, above). The total cost of staff turnover to the Municipality in the financial year is estimated at over a million rand (R1 176 500).

The following calculation was used to determine the total cost of turnover to the Municipality using the post level with the highest frequency (Post level 3):

Annual wage: 181, 000 x 0, 25 = 45 250

Annual wage: 181, 000 x 0, 30 = 54 300 x 0, 25 = 13 575

Total turnover cost per employee = 45 250 + 13 575 = 58 825

Total number of terminations = 20

Therefore, total cost of turnover = 58 825 x 20 = 1 176 500

5.3 Managing Municipal Workforce

5.3.1 Occupational Injuries

Table 5.8: The number and nature of occupational injuries per functional area

Date of Accident	Employee		Department	Type of Injury
	Number	Name		
07/07/2008	80266428	Mayimele M	Community Services	Ankle
15/08/2008	0059	Phalani D	Community Services	Hand
22/08/2008	16555805	Mboweni J	Technical Services	Head
15/09/2008	0235	Mojela F	Community Services	Ankle
16/10/2008	0134	Malatji P	Technical Services	Eye
23/10/2008	0230	Mkansi I	Community Services	Ankle
04/12/2008	0192	Staden EV	Community services	Ankle
13/01/2009	0319	Mahlabela A	Corporate Services	Back
15/01/2009	A005	Mashimbyi X	Technical Services	Trunk
15/01/2009	0354	Shimangi J	Technical services	Arm
06/02/2009	0202	Mavasa L	Community services	Knee

5.4 Capacitating Municipal Workforce

5.4.1 Skills Audit

Skills audit reveals that the municipality had skills gaps in the following areas during the 2008/09 financial year:

- First Aid level 1
- First aid level 2
- Customer care
- Abet
- Executive leadership
- Development Programme
- Examiner of Driver's license
- Computer Literacy
- Office Administration
- Policy Development
- Effective Records Management
- Electronic E-Records Management
- CPMD
- E-Natis
- Sebata Information System
- Proposed Grap Standards
- Ward Committee Training
- Safety Representatives Training

A skills development plan for the 2009/10 financial year has to be developed to address the skills gaps identified above.

5.4.2 Skills Development

The Municipality, in accordance with the Skills Development Act (1998) and the Municipal Systems Act (2000) undertook to address skills gaps by providing training to the following individuals:

Table 5.9: Beneficiaries to the skills gap programme

Target Group	Number Trained	Area of Development	Institution that provided training	Outcome/Remark
Councillors	2	CPMD	Wits Business School	1 Completed, 1 Awaiting results
Councillors	5	ELMDP	University of Pretoria	Only 4 Completed
Councillors	5	MLDP	Dept. of Local Govt & Housing	Only 4 completed
Councillors	1	MDP	Dept. of Local Govt & Housing	Completed
Councillors	1	CPMD - Additional Courses	Wits business school	Awaiting results
Councillors	1	Mentoring & Coaching	Dept. of Local Govt & Housing	Completed
Councillors	5	Policy & Legislative framework skills program	Dept of Local Govt & Housing	Completed
Councillors	1	Executive Leadership Development Programme	University of Pretoria	Awaiting Results
Total	21	8 Different Areas	3 different Institutions	15 completed, 3 did not complete, 3 awaiting results
Ward Committees	80	Ward Committee training	In-Touch	Certificates Outstanding
Total	80	1	1	All completed
Officials (Labourers)	21	First Aid Level 1	KOBI MEDICS	Certificate
Officials (Operators)	13	First Aid Level 2	Future View Training & Development	Certificate of Competency
Officials (Front Office personnel)	39	Customer Care	Mahoxo Multi-Trading	Certificate

Target Group	Number Trained	Area of Development	Institution that provided training	Outcome/Remark
Officials (Labourers)	10	ABET LEVEL 1	Department of Education	Still in progress
Officials (Labourers)	10	ABET LEVEL 2	Department of Education	Still in progress
Officials (Labourers)	12	ABET LEVEL 3	Department of Education	Still in progress
Officials (Labourers)	6	ABET LEVEL 4	Department of Education	Still in progress
Officials (Management)	11	Executive Leadership Development Programme	University of Pretoria	Awaiting Results
Officials (Drivers Licence Examiners)	2	Drivers Licence Examiner	Department of Traffic Safety	Certificate
Officials (Personnel Officers)	2	Computer literacy	Avuxeni Computer Academy	In progress
Officials (Front office personnel)	15	Office Administration	Vutivi Training & Development	Awaiting Certificate
Officials (Management)	14	Policy development	DBSA Vulindlela Academy	Awaiting Certificate
Officials (Clerks)	2	Records Management	LEMARK Training & Development	Certificate
Officials (Officers)	2	E-NATIS	TASIMA	Certificate
Officials (Finance and HR Personnel)	14	SEBATA Information System	SEBATA FMS	
Officials (Finance Personnel)	8	Proposed GRAP Standards	Institute for Municipal Financial Officers (IMFO)	
Officials (Safety representatives)	13	Safety Representative Training	Ba-Phalaborwa Municipality (Internal training)	
Total	194	26	14	

5.4.3 Learners on Experiential Training

The Municipality had 19 learners on experiential training during the year ending 30 June 2009. Detailed information about the learners and their interactions with the municipality is given in the table below.

Table 5.10: Learners on experiential learning grouped per host department

Name of Learner	Gender	Discipline	Department	Period
Ngobeni SP	M	Information Technology	Corporate Services	Nov 08 – April 09
Malungane KJ	M	Information Technology	Corporate Services	Nov 08 – April 09
Mabuza NL	F	Management Assistant	Corporate Services	July 08 – Dec 08
Mojela KL	F	Management Assistant	Corporate Services	Jan 09 – June 09
Mukhari CM	F	Office Management	Corporate Services	July 08 – Dec 08
Jose NT	F	Public Management	Corporate Services	Oct 08 - Mar 09
Nkhwashu H	F	Public Management	Corporate Services	Oct 08 - Mar 09
Ramalepe ML	F	Public Management	Corporate Services	Jan 09 – June 09
Rithotso G	F	Management Assistant	Technical services	Oct 08 – Mar 09
Lewele MR	F	Electrical Engineering	Technical Services	July 08 – Dec 08
Mhlongo MT	M	Electrical Engineering	Technical Services	Oct 08 – Mar 09
Mthetho KC	F	Electrical Engineering	Technical Services	Oct 08 – Mar 09
Mthembu NM	M	Electrical Engineering	Technical Services	July 08 – Dec 08
Mthetho BR	M	Water purification	Technical Services	Aug 08 - Sept 08
Molapo M	F	Financial Management	Finance	July 08 – Dec 08
Mkansi T	F	Management Assistant	Community Services	Nov 08 – Apr 09
Makhanike M	M	Information Studies	Community Services	Nov 08 – Apr 09
Motswinyane SM	F	Information Studies	Community Services	Nov 08 – Apr 09
Malai MS (Disabled)	F	Information Studies	Community Services	Nov 08 – Apr 09
Total: 19	M: 6 F: 13			

5.4.4 Learners on Internship Programme

The Municipality had 3 learners on internship and they were all based in the Finance Department.

Table 5.11: Interns in financial management

Name of Learner	Gender	Discipline	Department
Mokganya I	M	Financial Management	Finance
Khosa Nkateko	F	Financial Management	Finance
Monyela MG	F	Financial Management	Finance

5.4.5 Skills Development Budget

Table 5.12: Expenditure on skills development

Budget for 2008/09	Expenditure	Remarks
R908 000,00	R882 014,00	Some of the trainings budgeted for were offered for free (sponsored)

5.5 Managing Municipal Workforce Expenditure

5.5.1 Personnel Expenditure

The following table presents personnel expenditure by the Municipality over the past 3 years in order to benchmark the 2008/09 performance on the dimension:

Table 5.13: Personnel expenditure over the past three financial years

Financial Year	Personnel Expenditure	Operating Expenditure	% of Personnel Expenditure as a Fraction of Operating Expenditure
2006/07	R 58 660 532	R134 019 869	44%
2007/08	R 64 622 428	R 135 963 695	48%
2008/09	R 67 136 706	R 203 859 868	33%

Although there is a 15% decrease in personnel expenditure (from 2007/08 to 2008/09) as a percentage of operational expenditure, in real terms, personnel expenditure has increased with an increase in total operating expenditure. Operating expenditure increased by 50% from 135 963 695 to 203 859 868. The trend indicates a sharp increase in personnel expenditure.

5.5.2 Promotions for 2008/09

During the 2008/09 financial year, 22 staff members were promoted at the cost of R30 381, 86 to the Municipality.

Table 5.14: Cost incurred as a result of promotions

Post Level	Number of Promotions	Cost Incurred
6	1 x PL7-PL6	1359.15
7	2 x PL9-PL7	4974.21
8	5 x PL9-PL8	4035.00
9	4 x PL10-PL9	2381.00
10	1 x P13-PL10	6033.75
13	9 x PL15-PL13	11598.75
Total	22	R30 381.86

5.5.3 Upgraded Positions

Table 5.15: Positions Upgraded in the financial year

Post Level	Number of Posts Upgraded	Number of Employees whose Salary Positions were Upgraded	Cost Incurred
6	1 PL7-PL6	1	1359.15
7	2 PL9-PL7	2	4974.21
8	5 PL9-PL8	5	4035.00
9	4 PL10-PL9	4	2381.00
10	1 P13-PL10	1	6033.75
13	9 PL15-PL13	9	11598.75
Total	22	22	R30 381.86

5.5.4 Disclosures

In compliance with the requirements of Section 124 of the MFMA, information pertaining to disclosures made by Councillors and Officials is provided below:

Table 5.16: information pertaining to disclosures

Name	Disclosure	Date of Disclosure
Councillors		
Valoyi GD (Mayor)	Financial Interests in Direct Specific Coast Investment 65 (A member of a consortium – Makoti Mineral)	02/04/2008
	Financial Interests in Limima construction and supply	02/04/2008
	Financial Interest in Site Mechine Services	10/03/2009
Mogomane MS	Financial Interests in Mokolomake Trading	18/05/2009
Officials		
	No disclosures	

5.5.5 Human Resources Policies and Plans

The table below presents HR policies **approved** and those **outstanding** for the efficient management of the workforce:

Table5.17: Existent and outstanding HR policies and plans

Name of policy/Plan	Status	Purpose
Employment Equity Plan	Five year EE plan under review 2009/10 EE plan approval by Council	To achieve equity in the workplace
Recruitment and Retention Strategy	Draft to be forwarded to Exco on 26/01/10 and Council 28/01/10 for approval	To attract and retain competent, classified scarce skills staff by becoming the employer of choice
Staff Provisioning Policy	In place (reviewed annually)	Give guidance in the appointment of staff
Training and Development Policy	In place (reviewed annually)	Give guidance in the skilling of personnel.
Internal Bursary Policy	In place (reviewed annually)	Encourage staff members to pursue their careers through studies
Induction Manual	In place (Reviewed annually)	It seeks to familiarize new recruits on how the Municipality functions, what is expected from them and how they fit in the administration
Occupational Health and Safety Policy	Draft to be forwarded to Exco on 26/01/10 and Council on 28/01/10 for approval	Give step-by-step guidance on how to create Health and Safe working environment for staff members.
Overtime Policy	Draft to be forwarded to Exco on 26/01/10 and Council on 28/01/10 for approval	Regulate how to administer overtime and payment thereof.
Smoking Policy	In place (reviewed when circumstances dictate)	It regulates smoking in designated areas.
HIV/AIDS Policy	In Place (reviewed when need arises)	Seeks to address unfair discrimination in the workplace based on HIV/AIDS status and creation of HIV/AIDS management tool.
Employee Assistant programme	In place	It seeks to enhance personal well-being, Quality of life for employees and improving their performances.

Human Resources Development Strategy	Draft in place	It seeks to align municipal HR Development, the economic, social growth and development imperatives of the Municipality.
Experiential Training Policy	In place (Reviewed when need arises)	Give opportunity to students to maximize potential, contribute towards up-liftment of the under privileged and provide for a future competent municipal workforce.
External Bursary Policy	In place (reviewed when need arises)	Municipal social responsibility to invest in the local community by providing funds for training and education in various occupation directions.
Sexual Harassment Policy	In Place (reviewed when need arise)	To promote a good working environment where employers and employees respect one another's dignity, integrity and privacy and to ensure that all employees and fairly in the workplace
Funeral Policy	In place	Framework for assistance towards funeral arrangements or cost of deceased employees, councillors and ex-councillors.
Cellular Phone Policy	In place	To ensure proper communication to management, of emergencies and essential services at all hours.
Fixed Transport Allowance Policy	In place	To provide fixed transport allowance to officials on post Level 3 – 5 and councillors, in order to render council services effectively and efficiently.

5.5.6 HIV/AIDS

The Municipality undertook the following activities in an attempt to reduce HIV/AIDS prevalence rate in the municipal area:

Table 5.18: Activities undertaken to reduce the prevalence rate of HIV/AIDS

Activity	Frequency of Activity	Target Group
TB Awareness Campaign	Once (March 2009)	Entire Population
Condom Week and STI Awareness	Once (February 2009)	Entire Population
Candlelight Memorial Celebration	Once (May 2009)	Entire Population
World Aids Day Celebration	Once (December)	Entire Population
Condom Distribution to Hot Spots	Monthly	Youth
VCT Awareness Campaigns	Monthly	Entire Population
School Aids Week	Once (September 2008)	Learners

5.5.7 Employee Performance Rewards

No performance bonuses were paid in the financial year ending 30 June 2009.

5.5.8 Skills Matrix

A skills audit of senior managers, middle managers and junior managers (Section 57 – PL 5 managers) is presented in the table below indicating skills held by individuals (in the form of qualifications) and skills gaps by the end of June 2009.

Table 5.19: Skills matrix of senior and middle managers

Manager	Post Level	Qualifications	Skills Gaps
Ntshavheni KP	Municipal Manager	Masters in Business Administration (MBA)	-
Nkuna T	CFO	B Comm. Accounting	-
Sebashe SS	S 57	Doctor of Philosophy in Humanities	Policy Development Leadership and Management
Mashava E	S 57	National Diploma: Civil Engineering	-

Bayana JW	S 57	Masters in Public Administration	PMS reporting, Project Management and Problem Solving
Mathebula BM	S 57	B Tech Degree: Security and Risk Management	Policy Development
Davhana LG	PL4	B Com (Internal Auditing)	Management and Development
Mkhantshwa HE	PL3	National Diploma Civil Engineering	Management and Leadership
Mushwana AF	PL3	B.Comm Accounting	-
Mdumela MM	PL3	National Higher Diploma: Municipal Administration and Management	Management and Development. Policy Development
Turbridge L	PL3	Secretarial Diploma	Management and Leadership. Policy Development
Masipa MD	PL3	National Diploma: Civil Engineering	Management and Leadership. Policy Development
Sim R	PL3	Institute of Traffic Officers' Diploma	Management and Leadership. Policy Development
Bezuidenhout HGS	PL3	Institute of Traffic Officers' Diploma	Management and Leadership. Policy Development
Mpolo MJ	PL4	Grade 12	Management and Leadership. Policy Development
Gagiano SB	PL3	National Diploma: Health	Management and Leadership. Policy Development
Ngobeni TS	PL3	Masters in Development Studies	Policy Development
Ngobeni BA	PL3	National Diploma: Town and Regional Planning	GIS CAD Integration
Behrens J	PL4	National Diploma: Technician draughtmanship – Cartography	Management and Development. Policy Development
Mokhabuki NS	PL5	BA Library and Information Sciences	Policy Development

Ramachela EM	PL5	Further Diploma in Education Management Certificate in Public Relations Management	
Seduma MP	PL5	University Education Diploma	
Mthombeni V	PL5	B.Tech Municipal Admin.	
Mthombeni SE	PL5	Grade 12	
Lebepe MS	PL5	Grade 12	
Mokoena SS	PL5	B. Tech Public Management	
Meiring ME	PL5	Grade 12	
Malatji JM	PL5	Grade 12	
Mokgomola MM	PL5	Grade 12	
Schoombie M	PL5	Grade 12	
Shai R	PL5	Diploma in institute for Traffic Officers (ITO III)	
Mabitsela MJ	PL5	National Diploma Public Administration	
Van Rooyen PJ	PL5	National Diploma in Public Health	
Mudzanani AS	PL5	Trade Diploma in Plumbing	
Nkosi VA	PL5	Diploma in Bricklaying and Plastering	
Terblanche S	PL5		
Mutsila TE	PL5		

CHAPTER 6 FINANCIAL PERFORMANCE

6.1 Introduction

The chapter reports on the financial sustainability of the Municipality and its income and expenditure patterns. An assessment of the financial situation of the Municipality the financial ending 30th June 2009 is presented.

6.2 Financial Sustainability

6.2.1 An Overview of the Financial Situation

Ba-Phalaborwa Municipality's financial statements have been prepared on a going concern basis which is an assumption that the Municipality will continue with its operations for at least the next twelve months.

6.2.2 The Financial Health of the Municipality

The 2007/08 financial figures are utilised as baseline and to benchmark the financial performance of the Municipality in the current year of reporting. Financial ratios are used as prominent indications of Ba-Phalaborwa Municipality's financial health.

Table 6.1: Financial health of the Municipality

Liquidity and Solvency	Basis of Calculation	2008/09	2007/08
Current Ratio	Current Assets/Current Liabilities	0.77:1	0.95:1
Current Acid Test Ratio	Current Assets less(Inventories)/Current Liabilities	0.74:1	0.91:1
Borrowing Management			
Borrowings to Assets	Total Long Term Debts/Total Assets	0.01	0.01
Capita Charges to Operating Expenditure	Interest + Principal Payments/Operating Expenses	0.001	0.001
Safety of Capital			
Debt to Equity	Loans, Accounts payable, overdrafts/Funds and Reserves	0.26	0.15
Gearing	Funds and Reserves/Long Term borrowings	78.56	70.70

The Liquidity and solvency Ratio are mainly used to give an idea of the Municipality's ability to pay back its short-term liabilities (debt and payables) with its short-term assets (cash, inventory, receivables). The higher the current ratio, the more capable the Municipality is of paying its obligations. A ratio under 1 suggests that the Municipality would be unable to pay off its obligations if they came due at that point.

While this shows the Municipality is not in good financial health, it does not necessarily mean that it will go bankrupt - as there are many ways to access financing - but it is definitely not a good sign.

6.2.3 Credit Rating of the Municipality

The Municipality has not been credit rated for the year under review.

6.3 Indigent Policy

Municipality did not have indigent policy nor register for significant periods /months during the reporting year, however the policies have been developed and adopted by the council for 2009/10 financial year. The process for compiling the Indigent Register has been undertaken and will be finalized in 2009/10. The expenditure for the indigent support has been provided for in the 2009/10 MTREF.

6.4 Supply Chain Management

The existed Supply Chain Management Policy of the Municipality has been revised during the year to conform to national policies, standards and procedures. The policy was approved by Council. The community has been afforded an opportunity to raise issues during budget participation period. Employees and the members of the Council have been inducted through internal workshops. The municipality has functional bid committees.

6.5 Audit Outcomes

The audit outcomes of the past three financial years are as follows:

Table 6.2: Audit outcomes from 2005/06 to 2007/08

Financial Year	Audit Outcome	Interventions to Address Negative Outcomes
2005/06	Disclaimer Audit Opinion	The audit was not performed in time. The backlog

Financial Year	Audit Outcome	Interventions to Address Negative Outcomes
		audit from 2005/06 financial year was performed and finalized in 2008.
2006/07	Disclaimer Audit Opinion	The audit was not performed in time. The backlog audit was performed and finalized in 2008.
2007/08	Adverse Audit Opinion	The audit was not performed in time. The 2007/08 financial year commenced in 2008 and finalized in January 2009.
2008/09	Disclaimed Audit Opinion (Draft)	Final audit report not issued

6.6. Income

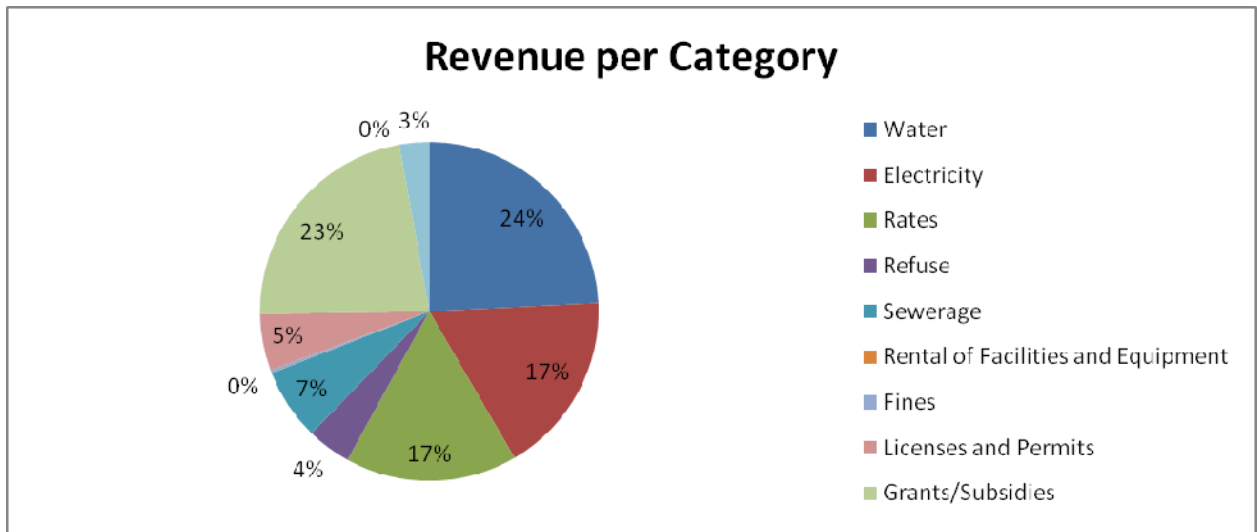
6.6.1 Revenue

The following is a breakdown of the Municipality's Operating Revenue by respective revenue category.

Table 6.3: Operating revenue by respective revenue category

Revenue per Classification	2008/09	2007/08	% Increase/ (Decrease)	% of Total Revenue
Water	R 49 186 661	R 45 575 561	8%	24%
Electricity	R 35 387 962	R 28 107 541	26%	17%
Rates	R 33 431 535	R 30 593 340	9%	16%
Refuse	R 8 567 145	R 7 954 683	8%	4%
Sewerage	R 13 899 312	R 12 421 155	12%	7%
Rental of Facilities and Equipment	R 45 099	R 111 888	(60%)	0%
Fines	R 534 540	R 425 116	26%	0%
Licenses and Permits	R 10 976 191	R 4 032 387	172%	5%
Grants/Subsidies	R 45 579 141	R 23 828 966	91%	22%
Gain on Disposal of Assets	R -	R -	0%	0%
Other income	R 5 749 479	R 15 676 704	(63%)	3%
Total Operating Revenue	R 203 357 065	R 168 727 341		

The above breakdown is displayed by the following graph. Service Charges (Water, Electricity, Sanitation and Refuse), Assessment Rates and Government Grants are major source of Income contributing 88% of income base.



6.6.2 Grants and Conditional Transfers

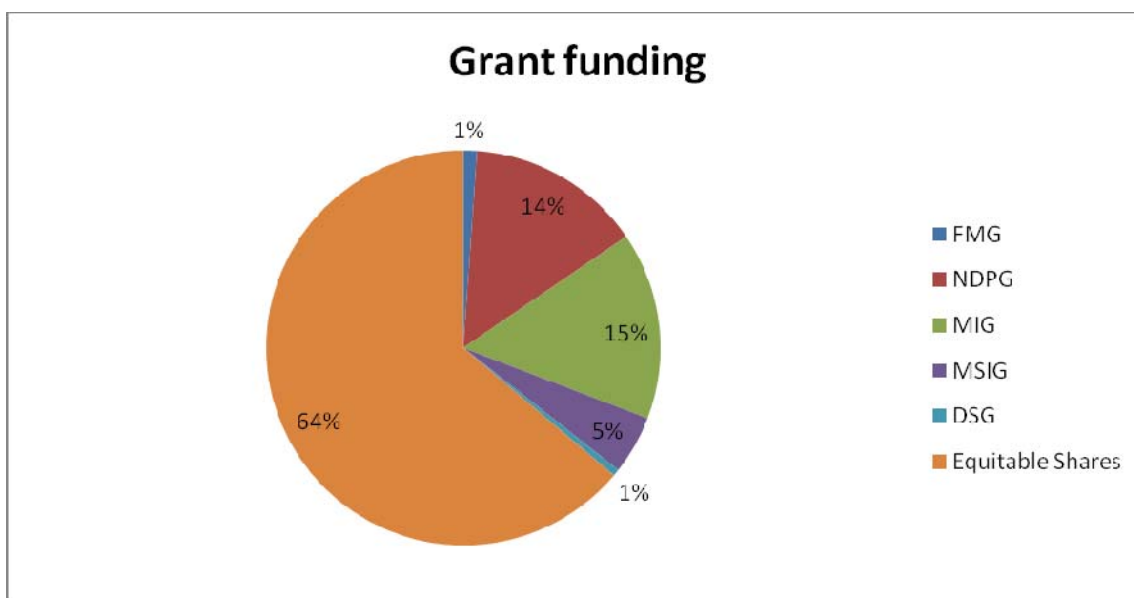
Grants received by the Municipality in the 2008/09 financial year, as Gazetted in Division of Revenue Act was R45 579 141 million. Municipality cannot sustain itself without the Governmental Grants and Subsidies which constitute 23% of total income base.

Table6.4: Grant funding received

Grant Funding Source	Amount	Objectives Achieved
FMG	R500 000.00	<ul style="list-style-type: none"> Appointed four Financial Management Interns and one intern was offered a permanent employment by a provincial department. The Financial Management Interns were also sent for skills development on the FMS (Introduction to Sebata FMS, Creditors, Payroll, Procurement and Revenue), Budgeting and Reporting and GRAP Conversion workshops offered National Treasury. The interns are on an ongoing training for Municipal Finance Management Development Programme since May 2009.
NPDG	R 6 546 562	Development of designs and project plans
MIG	R 8,838,000	Construction of internal streets and storm-water control.
MSIG	R 2 199 856	Compiled a Municipal Valuation Roll for 2009-2013
MSIG (Further Allocation by Department of Local	R 250 000	Funds were utilized for the compilation of Valuation Roll

Government and Housing)		
Equitable Shares	R29 090 429	

Below is the graphic representation of the above grant funding.



Government grants and subsidies constitute 23% of Municipal operating revenue. The Municipality, to some extent, depended on Government funding to carry its operations.

6.6.3 Equitable Shares

Equitable shares received by the Municipality over the past three years:

Table 6.5: Equitable shares over the past three financial years

Financial Year	Amount	Equitable share as percentage of Total Revenue
2006/07	R 20 208 670	11%
2007/08	R 22 228 800	13%
2008/09	R29 090 429	14%

6.6.4 Loans / Borrowings

Loans/Borrowings include short-term and long- term loans.

Table 6.6: Loans or borrowings over the past three financial years

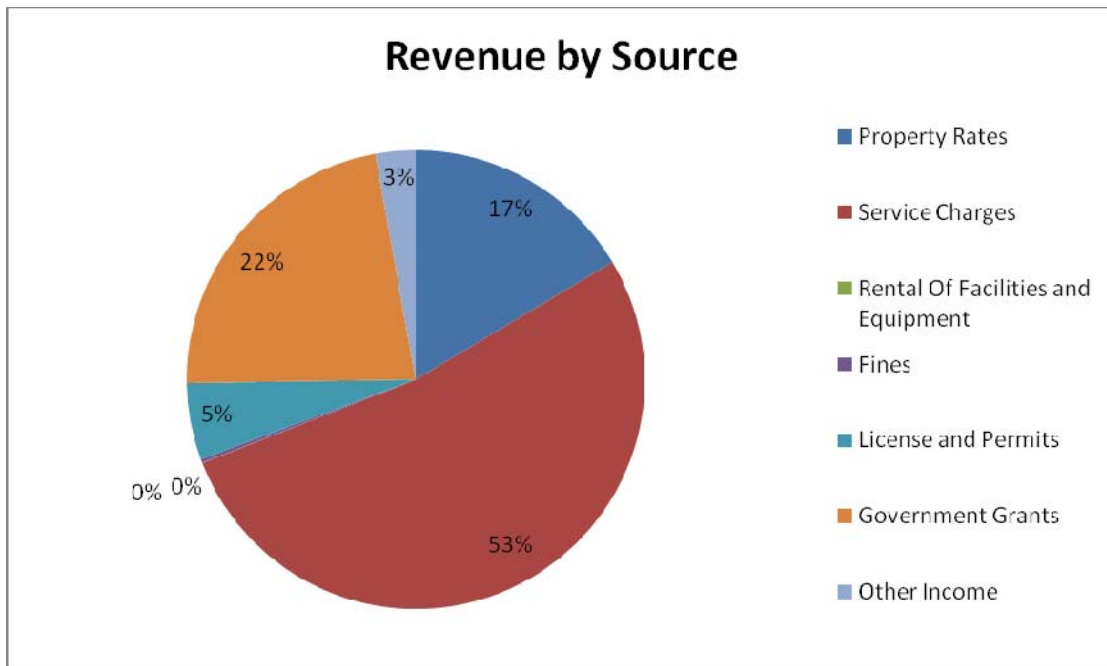
Financial Year	Total Amount	Repayment Period
2006/07	R 3 425 674	5 years
2007/08	R -	
2008/09	R -	

6.6.5 Revenue by Source

Below table indicate the summary of Municipality's revenue by source for the reporting year.

Table 6.7: Revenue by source

Revenue per Classification	2008/09
Water	R 49 186 661
Electricity	R 35 387 962
Rates	R 33 431 535
Refuse	R 8 567 145
Sewerage	R 13 899 312
Rental of Facilities and Equipment	R 45 099
Fines	R 534 540
Licenses and Permits	R 10 976 191
Grants/Subsidies	R 45 579 141
Gain on Disposal of Assets	R -
Other income	R 5 749 479
Total Operating Revenue	R 203 357 065



6.6.6 Outstanding Consumer Debts

Table 6.8: outstanding consumer debts

Description	2008/09	
Water	R	12 674 851
Electricity	R	2 614 795
Property Rates	R	25 779 508
Sewerage/Sanitation	R	4 631 915
Refuse Removal	R	2 810 516
Other	R	8 537 471
Total	R	57 049 056

Trade and other receivables from exchange transactions amount to R183 574 423 before the provision for doubtful debts. An indication for debts impairment is tested for each consumer, for each category of service supplied by the Municipality.

6.7 Expenditure

6.7.1 Expenditure per Capita

Municipal per capita spending 2006/07 – 2008/09

Table 6.9: Per capita expenditure for the past three financial years

Description	2006/07	2007/08	2008/09
Population	131 092	137 330	127 304
Expenditure Per Capita	R 1021.39	R 947.93	R 1601.36

Expenditure by type:

Table 6.10: Expenditure by type for 2006/07 to 2008/09

Expense Type	2006/07	2007/08	2008/09	% Change in 2008/09
Employee related costs	R 46 233 000	R 58 773 486	R 60 656 462	3.2%
Remuneration of Councilors	R 5 241 368	R 5 823 763	R 6 480 244	11.29%
Debt impairment	R-	R 5 585 933	R 6 206 598	11.12%
Depreciation & asset management	R -	R 2 207 047	R 2 415 603	9.42%
Finance Charges	R -	R 1 278 939	R 1 235 333	3.36%
Bulk Charges	R37 393 852	R 25 056 386	R 40 391 383	61.20%
Contracted Services	R-	R-	R 1 851 013	100%
Transfers and Grants	R-	R-	R-	0%
Other Expenditure	R45 027 830	R31 453 605	R84 623 232	169%
Total	R133 896 050	R130 179 159	R203 859 868	

6.7.2 Allocation of Expenditure

The allocation of expenditure for repairs and maintenance as a total percentage of the actual operational expenditure is given below:

Table 6.11: Allocation of expenditure for repairs and maintenance over the past three financial years

Item	2006/07	2007/08	2008/09
Total Operating Expenditure	R133 896 050	R130 179 159	R203 859 868
Repairs and maintenance	R 5 408 705	R 598 108	R 398 123
% of Total OPEX	40%	0.46%	0.20%

6.7.3 Capital Expenditure

In line with the requirements set out in Section 71 of the MFMA, detailed indication on capital budget expenditure is presented as follows:

Table 6.12: An indication on capital budget expenditure for the 2008/09 financial year

Vote Description	Capital Expenditure Incurred	% of Total Expenditure
Strategic Planning and Information Management	R 6 450 145	44%
Technical Services	R 7 743 145	52%
Community Services	R 629 118	4%

The following table presents allocation of capital expenditure versus operational expenditure as a percentage of the total budget over the past three years:

Table 6.13: Capital expenditure versus operational expenditure as a percentage of the total budget over the past three years

Expenditure	2006/07		2007/08		2008/09	
	Amount	% of Budget	Amount	% of Budget	Amount	% of Budget
Operational	R133 896 050	95%	R130 179 159	72%	R203 859 856	108%
Capital	R27 958 000	100%	R 36 582 000	100%	R 14 822 408	58%
Total	R 161 854 05		R166 761 159		R218 682 264	

The contributions by various sources of capital funding for the past three years is represented below:

Table 6.14: Contributions to capital funding over the past three years

Source of Capital Funds	2006/07	2007/08	2008/09	% of Total Capital Expenditure
Grants and Subsidies	R 23 102 000	R 31 874 000	R18 338 000	72.20%
External Loans	-	-	-	-
Own Revenue	R 4 856 000	R 4 708 000	R 7 060 000	27.80%
Other	-	-	-	-
Total	R 27 958 000	R 36 582 000	R 25 398 000	100%

CHAPTER 7 | INTERNAL AUDIT REPORT

7.1 Introduction

Section 165 of the MFMA requires that each Municipality has an internal audit unit and further that the internal audit unit prepares a risk-based audit plan and an internal audit programme for each financial year.

7.2 Internal Audit Unit

The Internal Auditor resigned during the second term of the financial year and as a result, no internal auditing functions were performed for the remainder of the financial year.

7.3 Audit Committee

The Municipality relied on the services of a district-wide shared audit committee.

7.3.1 Audit Committee Members

The Audit Committee comprised of the following five members:

Chairperson:	Malatji MJ
Financial Expert:	Modipane TC (CA- SA)
Legal Expert:	Groenewald O
Internal Audit Expert:	Phasha RM

7.3.2 Audit Committee Responsibilities

The primary function of the Audit Committee was to assist Council in fulfilling its oversight responsibilities by reviewing: the financial reports and other information provided by administration, the risk management/control and assurance processes; the Municipality's process for monitoring compliance with laws and regulations and its own code of business conduct; and the auditing, accounting and financial reporting processes generally. The Audit Committee's primary duties and responsibilities were to:

- Review the quarterly reports;
- Review the Municipality's performance management system;
- Serve as an independent and objective party to monitor the risk management processes necessary for the achievement of corporate objectives; and
- Review the annual financial statements and other performance reporting to be made public

7.3.3 Mid-Year Audit Committee Report

Comments on the Report of the Auditor-General (based on the 2007/08 Financial Year)

The Audit Committee reviewed the audited financial statements and the Auditor-General's findings on the financial year ended 30 June 2008. Loss of financial information and lack of supporting documents have been identified as the major causes of audit queries by the Auditor-General. The Audit committee concurred and accepted the Auditor General's conclusion on the annual financial statements – **an adverse audit opinion**.

The Audit Committee made the following recommendations towards improving audit results:

- The availability of key officials during the audit and their active participation in audit steering committees;
- Implementation of audit recommendations;
- Compilation and implementation of management action plans;
- Strengthening oversight (audit committee and internal audit);
- Improved internal controls specifically around document control;
- Enhancement of competencies and skills; and
- Address the lack of discipline in maintaining source documentation.

Report on the Mid-Year (ended 31 December 2008) Municipal Performance

- **Half-Year Financial Report**
 - The Municipality experienced a poor revenue collection as a result of:
 - Lack of human resources in the finance department for debt collection;
 - Insufficient revenue resources to fund the revenue enhancement strategy;
 - Poor revenue collections in the areas of Lulekani, Namakgale, Gravelotte and the rural villages;
 - Delays in billings due to correction of meter reading data.

- Outstanding debtors of R149 million were over 120 days as at 31 December 2008
- The Municipality ended the period under review with a positive cash resource balance
- Expenditure was at 42% of the annual budget
- The position of the Internal Auditor became vacant during December 2008 and the Audit Committee recommended that the position be filled without delay.
- The Municipality was advised to develop GRAP implementation strategy and establish an implementation committee in order to meet the new standards for the preparation of 2009/20 financial statements.

- **Risk Management**

The Audit Committee advised the Municipality to establish a risk management unit through the appointment of a Risk Officer and establishment of a risk management committee.

- **Performance management System**

It was noted that performance assessments were not conducted regularly. There Municipality was therefore advised to participate in a district wide performance management joint committee in order to conduct performance management in an economical, effective, efficient and accountable manner.

7.3.4 End of Year Audit Committee Report

A comprehensive report is attached as Appendix E

CHAPTER 8

FINANCIAL STATEMENTS

8.1 Introduction

The financial results of the 2008/09 year as presented in this report is based on Annual Financial Statements as submitted to and audited by the AG. The audited Annual Financial Statements are attached in Annexure D and this chapter provides a summary to those Statements. In this report, both qualitative and quantitative information will be provided on the results of the year.

The annual financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention. The annual financial statements have been prepared in accordance with the Standards of Generally Recognized Accounting Practice (GRAP) as prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. Some of these accounting policies are not consistent with all the accounting policies of the previous financial year, due to GRAP /GAAP conversion.

As far as it has been practicable, applicable standards have been adopted retrospectively and prior year figures have been restated to achieve comparability requirements.

8.2 Operating Revenue

Provisions for GRAP 9 (Revenue from Exchange Transactions) have been applied for revenue components. Below table indicates and compares the revenue for the Municipality for the reporting and comparing period.

Table 8.1: Revenue for the Municipality for the past two financial years

Revenue per Classification	2008/09	2007/08	% Increase/ (Decrease)	% of Total Revenue
Water	R 49 186 661	R 45 575 561	8%	24%
Electricity	R 35 387 962	R 28 107 541	26%	17%
Rates	R 33 431 535	R 30 593 340	9%	16%
Refuse	R 8 567 145	R 7 954 683	8%	4%
Sewerage	R 13 899 312	R 12 421 155	12%	7%
Rental of Facilities and Equipment	R 45 099	R 111 888	(60%)	0%
Fines	R 534 540	R 425 116	26%	0%
Licenses and Permits	R 10 976 191	R 4 032 387	172%	5%

Revenue per Classification	2008/09	2007/08	% Increase/ (Decrease)	% of Total Revenue
Grants/Subsidies	R 45 579 141	R 23 828 966	91%	22%
Gain on Disposal of Assets	R -	R -	0%	0%
Other income	R 5 749 479	R 15 676 704	(63%)	3%
Total Operating Revenue	R 203 357 065	R 168 727 341		

8.3 Operating Expenditure

The operating expenditure for the municipality has been indicated in the below table. Operating Expenditure is clearly distinguished from Capital Expenditure.

Table 8.2: Operating expenditure for the past two financial years

Expenditure per Category	2008/2009	2007/2008	% Increase/ (Decrease)	% of Total Expenditure
Employee related Cost	R 60 656 462	R 58 773 486	3%	30%
Remuneration of Councilors	R 6 480 244	R 5 823 763	11%	3%
Debt Impairment	R 6 206 598	R 5 585 938	11%	3%
Depreciation and Amortization	R 2 415 603	R 2 207 047	9%	1%
Repairs and maintenance	R 398 123	R 598 108	(33%)	0%
Finance Costs	R 1 278 939	R 1 235 333	4%	1%
Bulk Purchases	R 40 391 383	R 25 056 386	61%	20%
Contracted services	R 1 851 013	R -	100%	1%
General Expenses	R 84 181 502	R 30 899 099	172%	41%
Total Operating Expenses	R 203 859 867	R 130 179 160.00		100%

8.4 Capital Expenditure and Financing

Capital Expenditure and the source of its funding is indicated in the below table.

Table 8.3: Capital expenditure and source of funding for the 2008/09 financial year

Standard Item	Approved Budget	Adjustment Budget	Expenditure to Date	Expenditure Variance	Percentage Spent	Source of Funding
	R	R	R	R	%	
Project						

Gravelotte Tarring Streets Phase 1	1,500,000	1,500,000	0	1,500,000	0%	MIG
Lulekani Tarring of Street Phase 2	3,000,000	3,000,000	4,687,735	-1,687,735	156%	MIG
Quagga Culverts & Storm Water Control	1,500,000	1,500,000	1,248,005	251,995	83%	MIG
Namakgale Tarring of Streets Phase 2	3,000,000	2,838,000	357,145	2,480,855	13%	MIG
Supply of Quagga Culverts	0	0	699,351	-699,351	0%	MIG
NPDG	0	9,500,000	4,056,157	5,443,843	43%	NPDG
Other Projects not Capital Nature	10,631,000	0	0	0		
Other Capital Items:				0		
Nursery Equipments	140,000	100,000	87,000	13,000	87%	Own Source
Rehabilitation of waste disposal plants	240,000	240,000	0	240,000	0%	Own Source
Electricity Infrastructure Project				0		
Electricity reticulation Cables	0	1,200,000	1,293,000	-93,000	108%	Own Source
Switchgear and installation(Lantana)	0	400,000	0	400,000	0%	Own Source
Electricity reticulation Cables 5.6km	0	5,080,000	0	5,080,000	0%	Own Source
Electricity Poles	0	40,000	0	40,000	0%	Own Source
TOTAL	20,011,000	25,398,000	12,428,393	7,449,607	49%	

8.5 External loans, investments and cash

The Municipality had R88 000 investments for the reporting year. An amount of R 1 983 316 of R 2 100 000 loan raised in the past to capital develop Extension 7 is still outstanding. The Municipality closed off its financial year with favorable balance such that its cash and cash equivalent amounted to R 8 875 834.

8.6 Conclusion

Ba-Phalaborwa Municipality has incurred an operating loss for the financial year under review as a result of converting from IMFO to GRAP standards. The financial statements of the Municipality have been compiled on the accrual basis (GRAP accounting standards used as basis of compilation) for the first time as required by National Treasury. This change in accounting basis led the Municipality to incur larger than expected accounting deficit of R 502 804. This situation will be redressed as issued and effective standards of GRAP are prospectively adopted and implemented by the Municipality.

CHAPTER 9	AUDITOR GENERAL AUDIT REPORTS
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9.1 Introduction

This chapter covers issues raised in the 2007/08 Audit Report and those that pertain to non-compliance with legislative requirements. It also highlights remedial actions undertaken during the 2008/09 financial year to address the audit queries. It finally presents the 2008/09 audit outcome as well as the audit queries raised by the Auditor General.

9.2 Audit Queries raised in the 2007/08 Audit Report

The 2007/08 Auditor-General's Audit Report was made available to the Municipality after February 2009 and was therefore not available to guide the Oversight Committee when probing the 2007/08 Annual Report. The inclusion of the audit report in this annual report is meant to address the backlog in reporting as well as finally publicizing the Auditor-General's opinion on the performance of the Municipality. Some of the issues raised in the audit report may still be relevant towards designing, implementing and maintaining tighter internal controls. The Auditor-General passed an adverse opinion on the financial statements of the Municipality. See **Appendix E** for the 2007/08 Auditor-General's Audit Report.

9.3 Audit Queries raised in the 2008/09 Audit Report

In the absence of the final Audit Report for the year under review, a Draft Auditor-General's Audit Report for the 2008/09 is included in this annual report to give a picture of how the Municipality performed and further guide the Oversight Committee in probing the Annual Report. The Auditor-General gave a disclaimer of opinion on the financial statements of the Municipality. See **Appendix F** for the 2008/09 Auditor-General's Draft Audit Report.

CHAPTER 10	ASSESSMENT BY ACCOUNTING OFFICER
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10.1 Introduction

The 2008/ 09 Financial Year was an establishment period for the new management team in the municipality and the management team was thus charged with the responsibility of setting up systems to achieve the twin goals of service delivery and good governance. We were also faced with process of converting to new accounting standards (GRAP) from the previous IMFO standards. Despite the daunting challenges, the municipality braved itself to achieve the set targets.

10. 2 Assessment of Revenue

Overview

In general, there has been an improvement in the collection of revenue from service charges in comparison to the previous year. The municipality's main revenue sources in the year under review were water and electricity. Water generates the largest revenue for the municipality despite the fact that there is no billing in rural areas and minimal collection in the townships of Namakgale and Lulekani.

It must be noted that the municipality only provides electricity in Phalaborwa and the other areas are served by Eskom. Given the potential of electricity as a revenue source and delays in the implementation of the Regional Electricity Distribution Service (REDS), it warrants a consideration by the Council to apply for the expansion of its electricity-service license areas to include at least Namakgale and Lulekani, the two populous areas in the municipality.

There has also been an improvement in the management and accounting for revenue that has led to the reduction in the revenue line item of 'Other' since the municipality is able to allocate most of its revenue to appropriate revenue items which is a sign of improved accounting practice.

Revenue by Source in Comparison to the Previous Year

Table 6.3 in Chapter 7 of this Annual Report details revenue by source and compares with performance in the previous financial year. Although it is worthwhile to note the 26% increase in revenue collection from electricity and fines. It must also be noted that 172% increase in revenue from licenses and fines is mainly due to an improvement in accounting practices as the municipality is now able to appropriate the revenue from this source to the correct line items. The improvement in accounting practices has led to a 63% of revenue accounted for under 'Other'. The municipality has also benefitted from 91% increase in revenue from grants and subsidies, from R23 828 966 (R23, 8 million) in the previous year to R45 579 141 (R45, 6 million). Overall the total operating revenue of the municipality improved from R168 727 341 (R168, 7 million) to R203 357 065 million.

Arrears on municipal taxes and service charges

Table 6.8 in Chapter 7 details the outstanding consumer debts for the year 2008. Total outstanding debt amounted to R183 574 423 (R183, 6 million) by 30 June 2009. In 2008/ 09 alone, outstanding consumers debts on accounts issued amounted to R57 049 056 (R57 million). In this amount, the largest arrears were accumulated on property rates at R25 779 508 (R25, 8 million) and water at R12 674 851 (R12, 7 million).

10.3 Measures to Improve Performance

To limit the unfair subsidization of services to the townships and rural areas by the residents of Phalaborwa, the municipality has started to extend the enforcement of credit control measures to the townships of Namakgale and Lulekani and to government departments that are in arrears of their service accounts.

In addition, there are measures in place to extend billing for water services to the rural areas.

Khumbudzo Ntshavheni

Municipal Manager

CHAPTER 11	CORRECTIVE ACTIONS
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11.1 Introduction

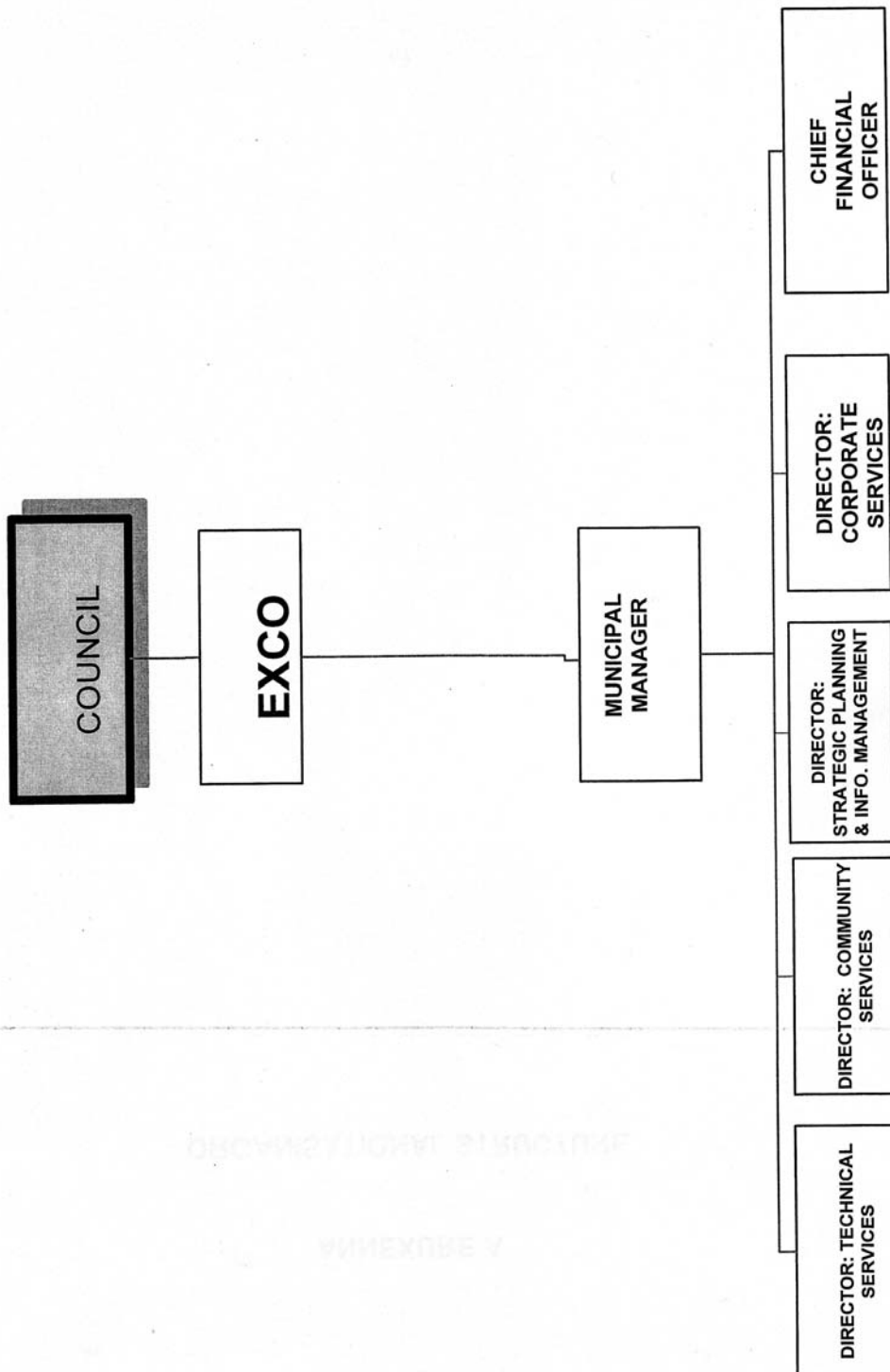
The Public Audit Act, N0.25 of 2004 provides that Council considers audit reports within one month after its first sitting after the audit reports have been submitted by the Auditor-General; and in accordance with Section 121 (3) (g); the Municipality has to give particulars of any corrective action taken or to be taken in response to issues raised in the audit reports (Chapter 9 of this Annual Report).

11.2 Remedial Actions to Address Audit Queries in the 2008/09 Audit Report

See Appendix H

APPENDIX A
ORGANISATIONAL CHART
(ORGANOGRAM)

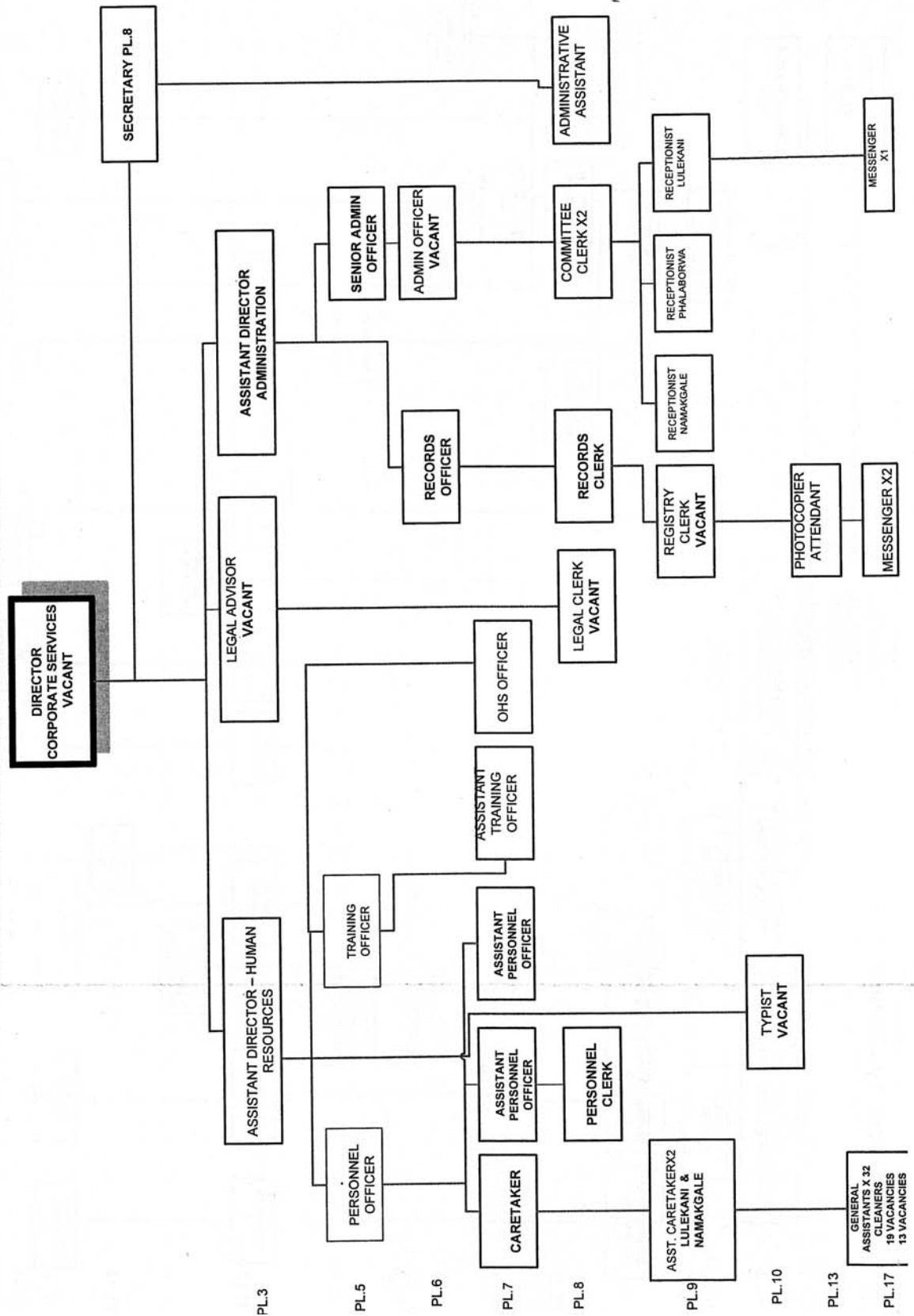
**BA-PHALABORWA LOCAL MUNICIPALITY
ORGANOGRAM**



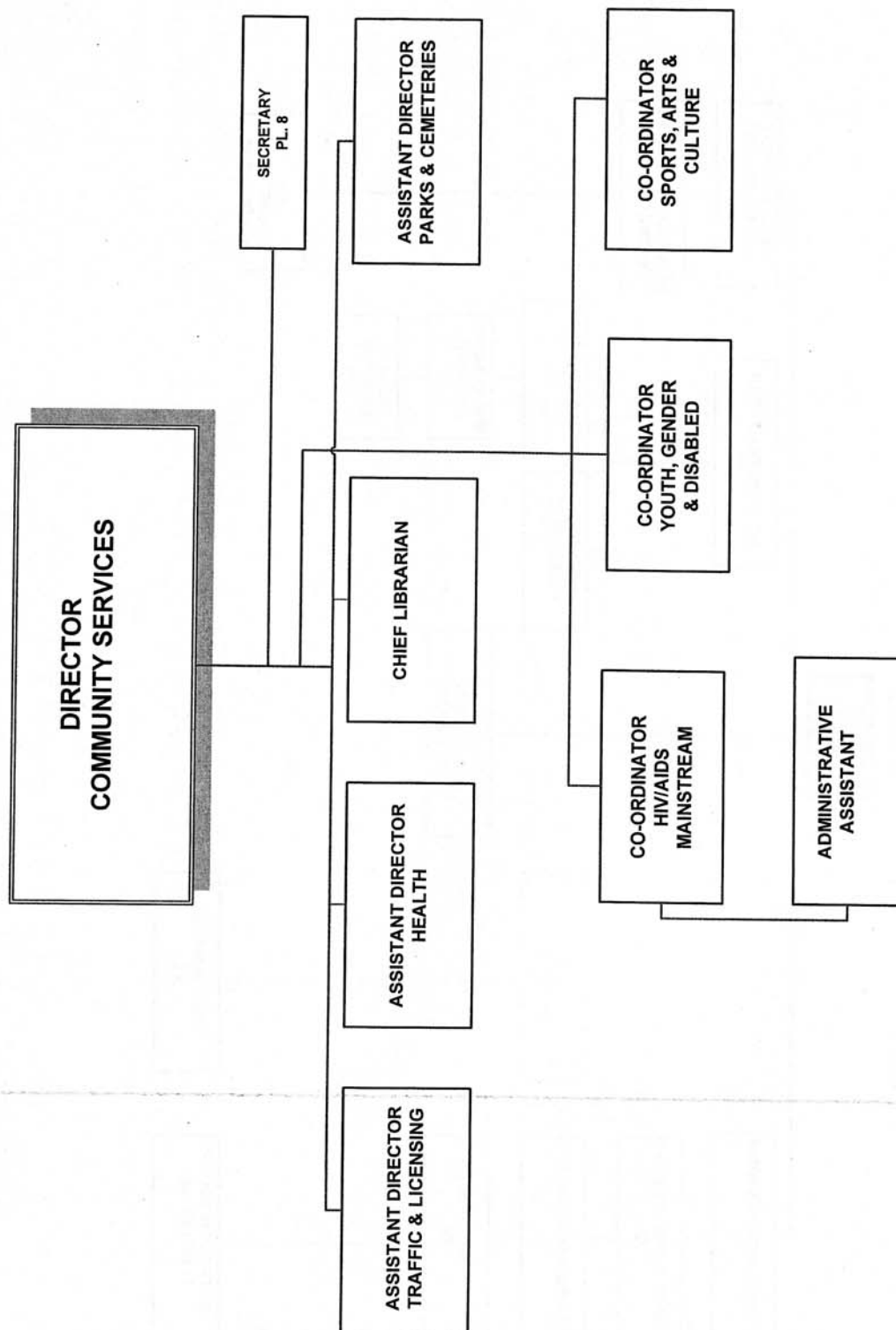
CHIEF FINANCIAL
OFFICER



ORGANISATIONAL STRUCTURE – CORPORATE SERVICES



COMMUNITY SERVICES ORGANOGRAM

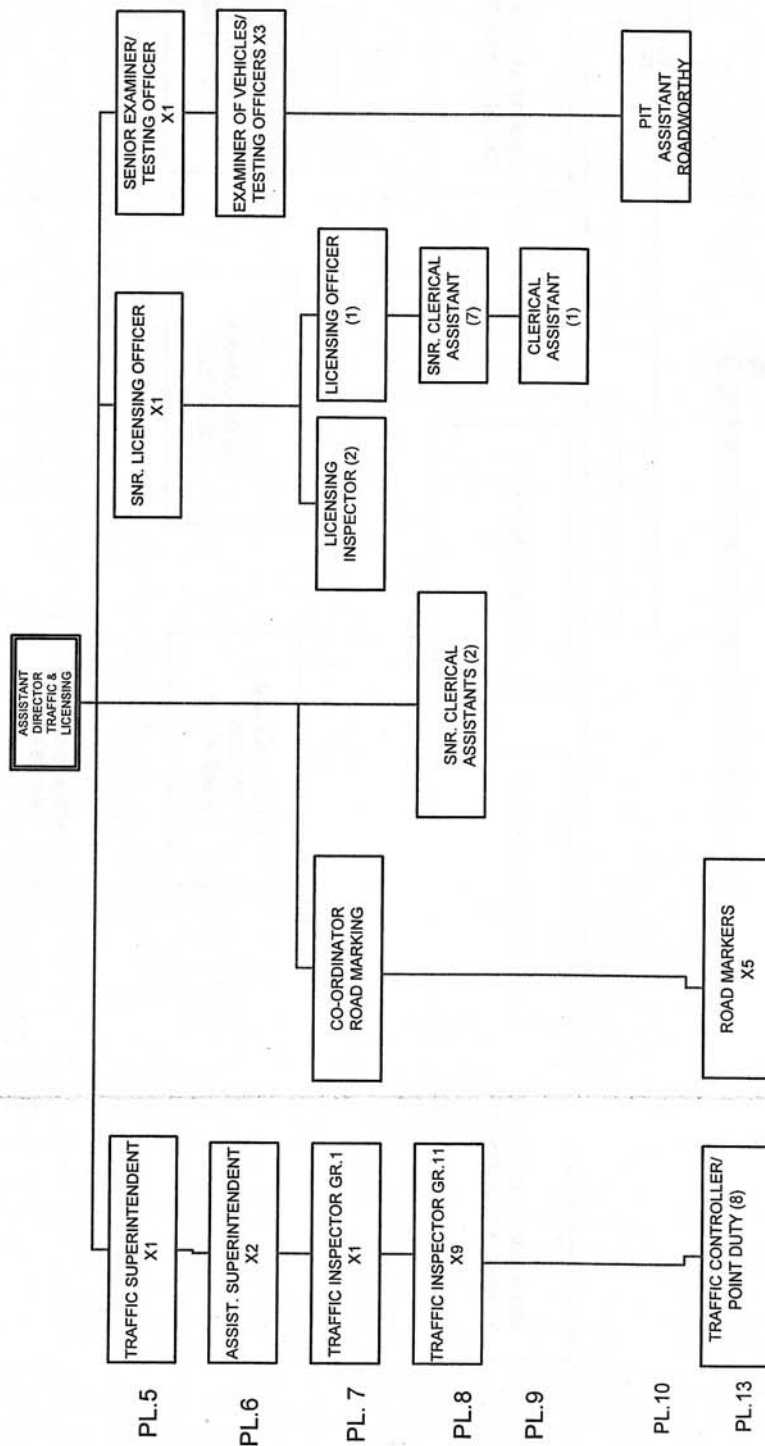


PL.3

PL.7

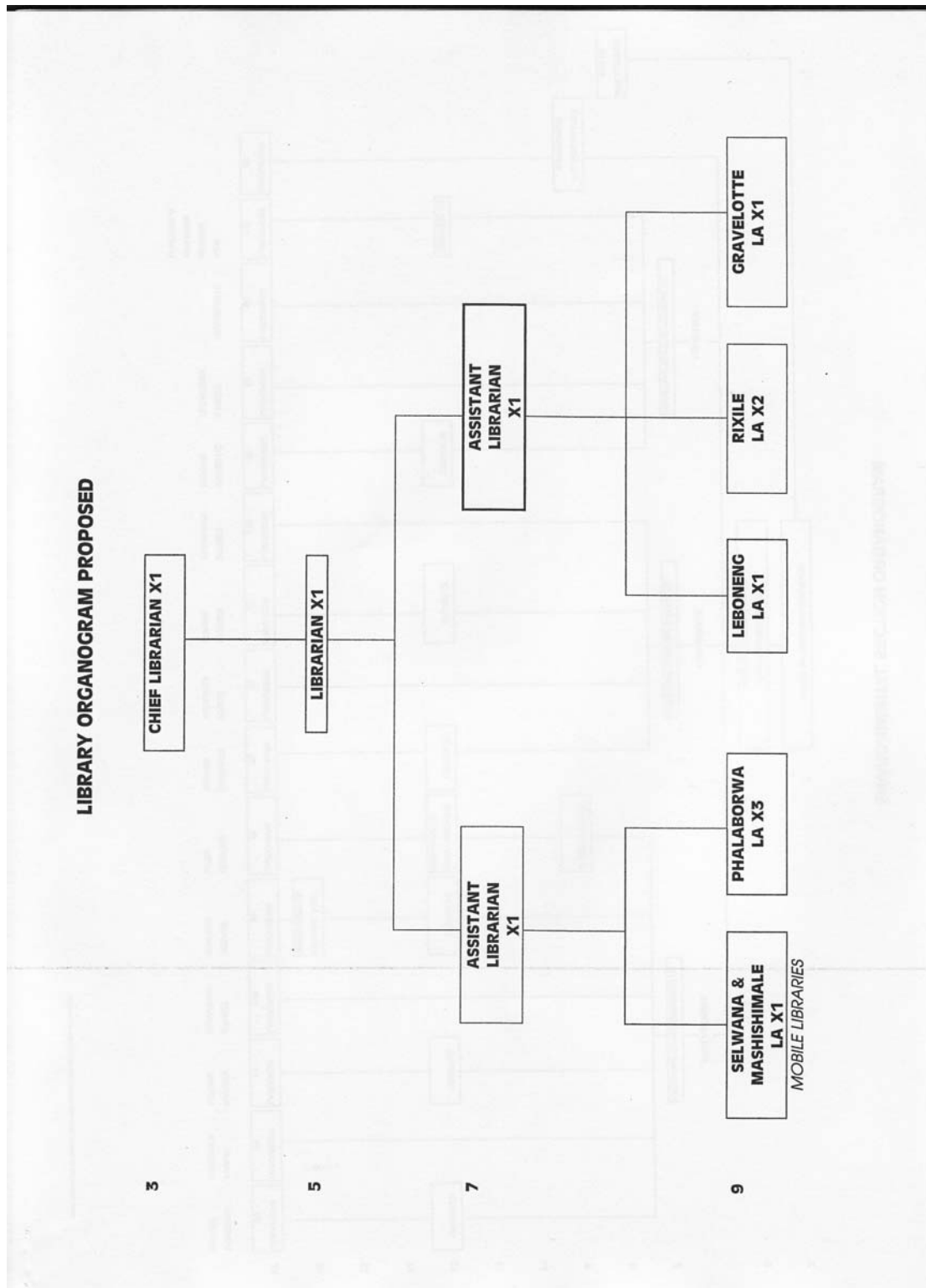
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ORGANOGRAM – TRAFFIC & LICENSING

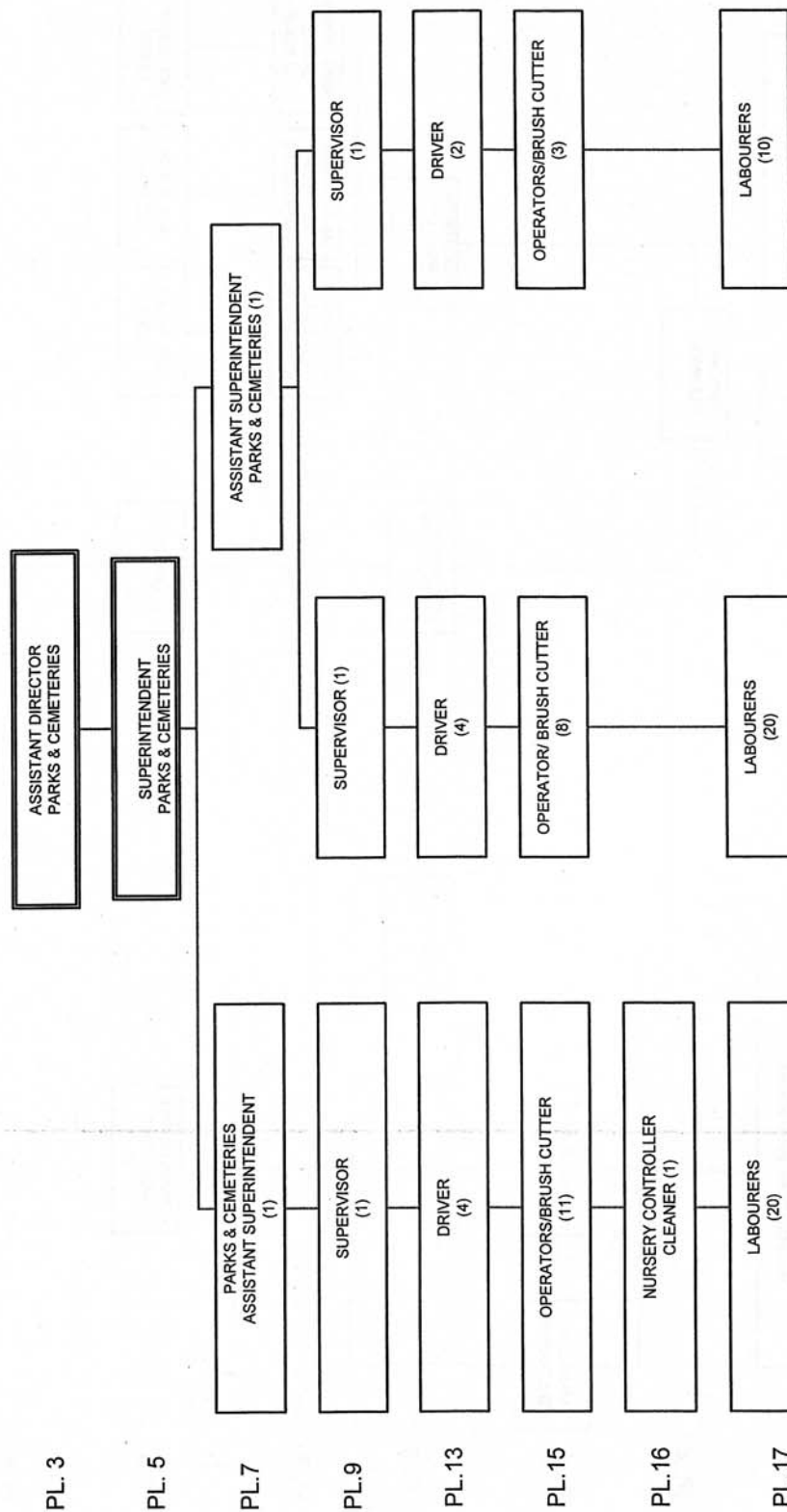


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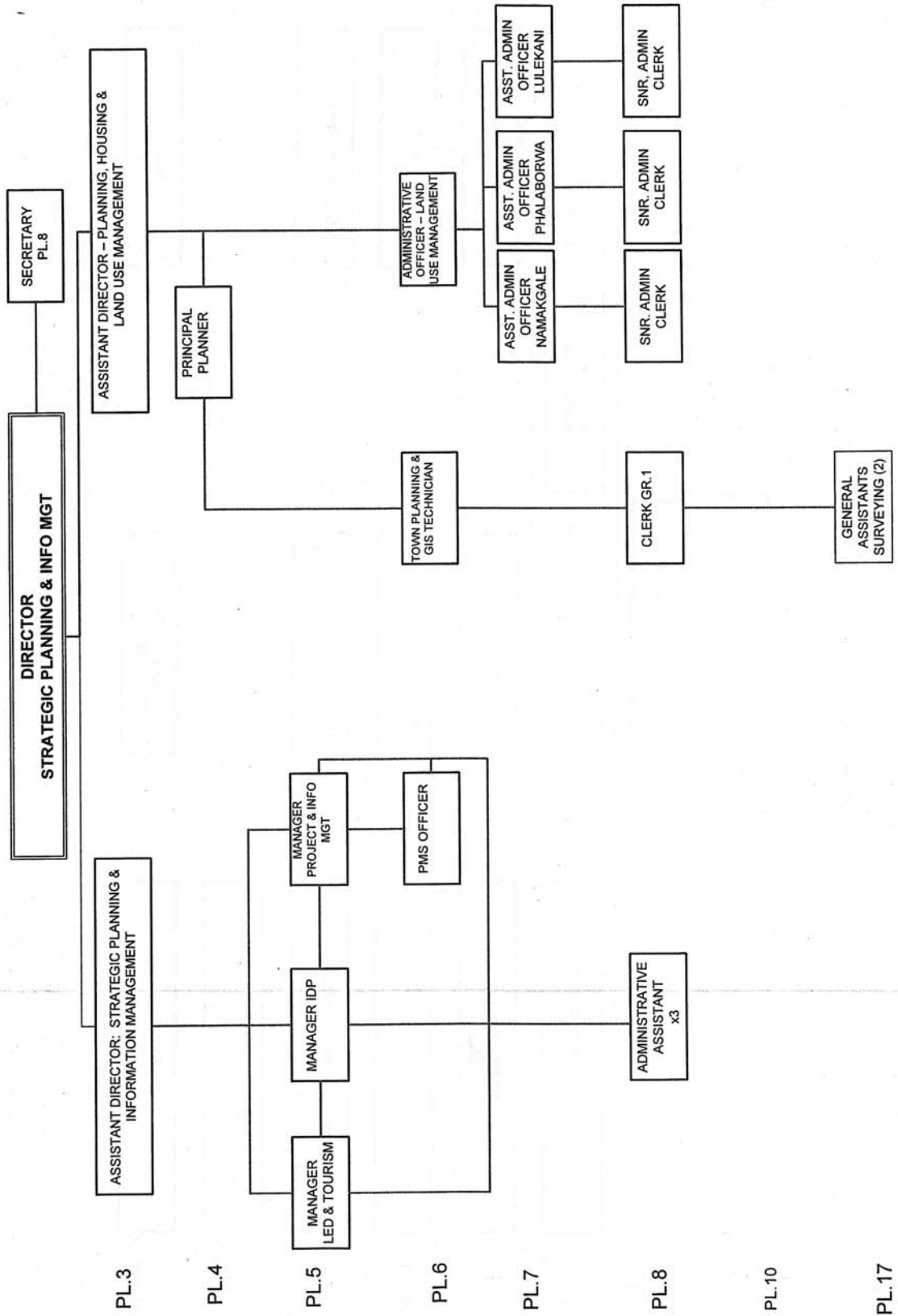
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ORGANOGRAM – PARKS AND CEMETERIES



ORGANOGRAM – STRATEGIC PLANNING



APPENDIX B

2008/09

SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

APPENDIX B

2008/09 SDBIP

Strategic objective	Institutional indicators	Objective results (Annual target)	Quarterly Targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Key Performance Indicator 1: LOCAL ECONOMIC DEVELOPMENT						
Create a stable economic environment by attracting suitable investors	Developed LED strategy	LED Strategy developed and implemented	Consolidated draft and stakeholder consultation LED Strategy approved	LED Strategy Implementation Plan approved		Implementation status report
Create community beneficiation and empowerment to reduce unemployment and alleviate poverty.	Number of jobs created	Job creation.	50	30	50	50
Create a stable economic environment by attracting suitable investors	Improved business management skills	100 SMMEs supported	30	30	10	30
Create a stable economic environment by attracting suitable investors	Marula strategy developed	Marula strategy developed and approved	First draft	Marula Festival Concept approved and commenced with organizing team.	Submission of Draft Marula Product Strategy for Council approval	Implementation Plan Roll-Out
	Tourism attraction initiatives	Completed Ba-Phalaborwa Cultural Village	Identification of site	Tender documents	Tender advertisement. Evaluation and	Project implementation report

					adjudication	
		Completed Ba-Phalaborwa Freedom and Memorial Precinct	Appointment of professional service provider	Approval of designs Initiate procurement of contractors	Project implementation/ construction commences	Project construction report
		Completed Selwane Thusong Service Centre	Approval of designs	Initiate procurement of contractors	Project implementation/ construction commences	Project implementation report
		Completed Flea Market and Rest station	Initiate procurement of contractors	Approval of designs	Project implementation/ construction commences	Project implementation report
		Maputha Malatji Hawkers facilities		Tender documents Land availability agreement with Traditional Authority	Initiate Procurement of contractors	Project implementation report
		Corridor Development (Branding)	Tender documents	Initiate procurement of contractors	Project implementation/ construction commences	Project implementation report
		Murry Foundation	Facilitate approval of development plan	Draft MOU	Signed MOU	Implementation report

		Sports Academy				
		Ba-Phalaborwa Indoor Sports Centre (Namakgale)	Appointment of professional service provider	Preliminary designs	Approval of final designs Initiate procurement of contractors Project implementation/ construction commences	Project implementation report
		Ba-Phalaborwa Sports Precinct (Lulekani)	Appointment of professional service provider	Preliminary designs	Approval of final designs Procurement of contractors	Project implementation report
		Intermodal Bus and Taxi Rank and hawkers facilities	Appointment of professional service provider	Preliminary designs	Approval of final designs Procurement of contractors	Project implementation report

Key Performance Area 2: Spatial Planning and Development

Strategic objective	Institutional indicators	Objective results (Annual target)	Quarterly Targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Key Performance Indicator 1: Land Use Management						
Improve access to sustainable and affordable services	Develop LUMS	LUMS approved by council	Consolidate draft and stakeholder consultation	Draft adopted by council for public comments	Consolidation of comments and workshop Councillors and stakeholders	Approval by Council Implementation status report
	Effective Development Management	Approved Conditions of Spatial Development	Consolidate draft and stakeholder consultation	Draft adopted by council for public comments	Consolidation of comments and workshop Councillors and stakeholders	Approval by Council Implementation status report
	Improved Local Area Planning	Local Area Plans approved	Report of the Quality of Life survey submitted for approval	Draft Local Area Planning Report submitted for approval	Integrated and Intermodal Transport Plan submitted for approval	Implementation Reports
	Development of Housing	Housing Plan approved	Consolidation of the	Final submission of	Submission to council for	Implementation status report

Strategic objective	Institutional indicators	Objective results (Annual target)	Quarterly Targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
	Sector Plan	by council	draft	comments on the draft	approval	
Key Performance Indicator 2: Licensing						
Improve access to sustainable and affordable services	80% of revenue collection transferred to the Province	Transfer prescribed of the collected fees on time	100%	100%	100%	100%
	Compliance to K53 system to maintain A grade	Municipal compliance to K53 A grading system	100%	100%	100%	100%
	Compliance of SABS code (026 0219) for road worthy testing to maintain A grading	Municipal compliance to SABS code (0260219)	100%	100%	100%	100%

Strategic objective	Institutional indicators	Objective results (Annual target)	Quarterly Targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
	Improve on driver's license waiting period	Improve on drivers' license waiting period	3 months	3 months	3 months	3 months
Key Performance Indicator 3: Disaster Management						
Improve access to sustainable and affordable services	Disaster management	Effective disaster management	Disaster relief Tents		Establish Disaster Management Control Room (Furniture & Equipment)	Global Position System
			Draft Disaster Management Plan consulted with stakeholders		Draft Disaster Management Plan approved by Council for public comments	Consolidate public comments and workshop Councillors and stakeholders
				Draft Disaster Mitigation	Draft Disaster Mitigation procedures	Consolidate comments and approval by Council Establish Disaster Relief

Strategic objective	Institutional indicators	Objective results (Annual target)	Quarterly Targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
				procedures	approved by Council for public comments	Protocols

Key Performance Area 3: FINANCIAL VIABILITY

Strategic objective	Institutional indicators	Objective results (Annual target)	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Key Performance Indicator 1: Financial Administration						
Increase financial viability through increased revenue, effective and efficient budget management	Reviewed internal controls	Internal controls approved by council	Draft internal controls and implementation plan		Final draft internal controls submitted for approval	Implementation status report

Strategic objective	Institutional indicators	Objective results (Annual target)	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
nt.						
Key Performance Indicator 2: Budget Management and Reporting						
Increase financial viability through increased revenue, effective and efficient budget management.	Approved Operating and Capital budgets for 2009/2010	Adherence to IDP/Budget Process Plan timelines	Implement Finance activities in terms of timelines	Implement Finance activities in terms of timelines	Draft MTREF Budget for 2009/10 tabled Implement Finance activities in terms of timelines	Final Approved MTREF Budget for 2009/10
Increase financial viability through increased revenue, effective and	Five Year Financial Plan	Developed Five Year Plan	Draft five year financial plan as informed by IDP Project Phase			Approved Five year Financial Plan

Strategic objective	Institutional indicators	Objective results (Annual target)	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
efficient budget management.			information			
Increase financial viability through increased revenue, effective and efficient budget management.	Reporting as required by MFMA is adhered to	All reports submitted by due dates	Monthly, quarterly and annual reports submitted by due date	Monthly and quarterly reports submitted by due date	Monthly and quarterly reports submitted by due date	Monthly and quarterly reports submitted by due date
Key Performance Indicator 3: Revenue Generation and Management						
Increase financial viability through increased revenue,	% of existing accounts screened and rectified	60% of accounts screened	20%		10%	30%

Strategic objective	Institutional indicators	Objective results (Annual target)	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
effective and efficient budget management.	% improvement in collection rate on current billing	85% of accounts billed	60% of current account	65% of current account	70% of current account	85% of current account

Strategic objective	Institutional indicators	Objective results (Annual target)	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
	% reduction in municipal debt book	13% collection on arrear debt of R189 million [Arrear debt target =R25 million]	Establish a temporary (2-year) Debt Collection Unit		Recruit Debt Collection Staff Quantify debt older than 3 years and debt for Indigents Arrear debt collection Implementation Plan approved Provision for bad debt on the Adjustment budget to facilitate write off	Implement Debt collection strategy

Strategic objective	Institutional indicators	Objective results (Annual target)	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
	% of the monthly municipal service accounts rendered on time	100%	90%	95%	95%	100%
	% Reduction in consumer queries received	60%	15%	30%	30%	30%
Increase financial viability through increased revenue, effective and efficient budget management.	Implement valuation roll and requirements of the Act	Valuation roll implemented		Submit implementation status report	Draft Valuation Policy Finalize draft valuation roll for residential and farming areas	Public participate the valuation roll Load valuation roll in the system and prepare for implementation of the

Strategic objective	Institutional indicators	Objective results (Annual target)	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
						valuation roll
Increase financial viability through increased revenue, effective and efficient budget management.	Develop and implement revenue enhancement strategy	Implement approved revenue enhancement strategy	Draft revenue enhancement strategy tabled to council	Implement strategy and submit progress report	Final Draft Revenue Enhancement Strategy tabled to Council	Implementation progress report
	Indigent Policy	Indigent Policy review	Review and public participation on Indigent policy	Indigent policy tabled for comments.	Commence with Indigent Register updated	Public participate indigent policy. Final draft approved by council Load Indigent register in the system
Key Performance Indicator 4: Supply Chain Management						
Increase financial viability	A functional supply	Effective supply chain	Recruit Head of supply		Review SCM Policy	Final draft tabled to council

Strategic objective	Institutional indicators	Objective results (Annual target)	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
through increased revenue, effective and efficient budget management.	chain management function	management	chain management			

Key Performance Area 4: Transformation and Organizational Development

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Key Performance Indicator 1: Employee Wellness and Safety						
Promote environmentally sound practices and social developm	Safe and healthy environment	Employee satisfaction rating	80%	90%	100%	100%
		Health and Safety policies and	100%	100%	100%	100%

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
ent		procedures fully implemented				
Key Performance Indicator 2: Human Resources Management						
Linking organizational design to institutional strategy	Maintained organizational structure	% of vacant posts filled	Placement and appointment of at least 58 personnel	Placement and appointment of at least 36 personnel	Placement and appointment of at least 32 personnel	Completed placement and filling of newly vacated positions (set number)
		% of signed employment contracts (Sec 57 managers)	100% All appointed Sec 57 Managers signed employment contract			
		% of job descriptions for all posts	Job descriptions for post level 3-13	Job descriptions for PL 14-17	Job descriptions for all positions	Job descriptions submitted

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
			(50%)Drafts	(50%) Drafts	signed and approved	to SALGA for job evaluation
		Institutional job evaluation			Job descriptions consulted at LLF	Initiate job evaluation with SALGA
		Total % of women in municipal staff establishment	2% Appoint at least 2 women	2% Appoint at least 2 women	2% Appoint at least 2 women	2% Appoint at least 2 women
Key Performance Indicator 3: Sound Administration						
Develop and improve systems, processes, procedures and policies by practicing sound governance	Approved by-laws, policies and strategies.	Number of by-laws, policies and strategies approved	Develop by-laws, 8 & review 4. Develop by-laws 6.	Tabling to Council for consideration for public comments	Consolidation of public comments	Tabling to council for approval
	Functional delegations of powers	Approved Delegations of powers	Collection of	Draft delegations of	Delegations of powers tabled to council for	Implementation of delegation

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
e	and functions	and functions	information	powers in place	approval	s
	Effective communication with stakeholders	Approved Communications Strategy and Implementation Plan	Draft Communications Policy submitted for approval Draft Communications Strategy under consultation		Draft Communications Strategy submitted for approval	Implementation Report
Develop and improve systems, processes, procedures and policies by practicing sound governance	Effective and efficient municipal information technology environment	A functional Information and Communications Technology system			Draft information technology policy	Development of IT Infrastructure Management Plan
				Initiate procurement of Financial Management	Financial management system in place	Implement Financial Management

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
e				ment System		System
					Initiate procurement of IT equipment	Commence with IT equipment standardization
Key Performance Indicator 4: Performance Management System						
Develop and improve systems, processes, procedures and policies by practicing sound governance	Legislative compliance	Compilation of annual & quarterly performance report and SDBIP	1 ST draft of 2007/08 annual report	2008/9 1 st quarter report	2008/9 2 nd quarter report	2008/9 3 rd quarter report
	Performance Management	Implementation of Individual Performance Management	Signed Performance contracts for level 3 – 5 Managers	1 st Quarter Performance Reviews concluded	2 nd Quarter Performance Reviews concluded	3 rd Quarter Performance Reviews concluded

Key Performance Area 5: Good Governance and Public Participation

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Key Performance Indicator 1: Implementation of Batho Pele Standards						
Develop effective and sustainable stakeholder relations	Improved stakeholders relations	% external customer satisfaction rating per department (Batho Pele)	80%	90%	100%	100%
		% critical success factors of clients dissatisfaction addressed per directorate	100%	100%	100%	100%
		Telecommunication to be attended to within 20 minutes of receipt	100%	100%	100%	100%

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
		Telephones must be answered within 3 rings	100%	100%	100%	100%
Key Performance Indicator 2: Functional Council, EXCO and Administration						
Develop and improve systems, processes, procedures and policies by practicing sound governance	Efficient management of municipal council	Number of ordinary special council sittings	2	1	2	1
		Number of ordinary and special Executive Committee meetings	3	2	3	3
		Number of Ordinary and Special Portfolio Committee meetings	3	2	3	3

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
		Number of Management and Extended Management meetings	2	2	2	2
Develop and improve systems, processes, procedures and policies by practicing sound governance		Number of Special and Ordinary Local Labour Forum meetings.	3	2	3	3
Key Performance Indicator 3: INTEGRATED DEVELOPMENT PLAN						
IDP development	Legislative compliance	Council adopted IDP	Council adopted IDP/Budget Process plan	Management Review of the 2008/9 IDP/Budget Implement	Draft IDP tabled at council	Council adopt IDP

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
				ation adopted by Council		

Key Performance Area 6: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Key Performance Indicator 1: Municipal Infrastructure Grant						
Optimize infrastructure investment and services	Implemented Municipal Infrastructure Grant (MIG)	Developed and adopted Municipal Infrastructure Investment Framework Strategy		Submission for approval	Draft Municipal Infrastructure Investment Framework Strategy	Draft approved by Council Implementation Plan approved
		% improvement on MIG expenditure against budget	25%	50%	75%	100%

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
		allocation				
		% improvement on the number of EPWP projects			Enroll 03 MIG Projects as EPWP	25%
Key Performance Indicator 2: Infrastructure Development and Management						
	Improved infrastructure and increased access to service	Infrastructure Investment Plans in place			Draft Infrastructure Investment Plan	Submission for approval by Council
					Draft Infrastructure Asset Register	Facilitate the loading of Infrastructure Asset Register on the Financial Mgmt System
		Infrastructure Operations	Approved Quarterly	Approved Quarterly	Approved Quarterly	Approved Quarterly

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
		and Maintenance Plans	Roads Grading Programme and implementation report	Roads Grading Programme and implementation report	Roads Grading Programme and implementation report	Roads Grading Programme and implementation report
			Approved Quarterly Potholes Repair Programme and implementation report	Approved Quarterly Potholes Repair Programme and implementation report	Approved Quarterly Potholes Repair Programme and implementation report	Approved Quarterly Potholes Repair Programme and implementation report
					Approved quarterly stormwater and culverts maintenance Programme & implementation report	Approved quarterly stormwater and culverts maintenance Programme & implementation report
			Approved Quarterly	Approved Quarterly	Approved Quarterly	Approved Quarterly

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
			Municipal Buildings Maintenance Programme & implementation report	Municipal Buildings Maintenance Programme & implementation report	Municipal Buildings Maintenance Programme & implementation report	Municipal Buildings Maintenance Programme & implementation report
					Approved water infrastructure reticulation system maintenance plan	Quarterly Implementation Report
					Approved electricity network maintenance plan	Quarterly Implementation Report
		Infrastructure Project Management Plans in place for all infrastructure	Adopted per project under implementation in the	Adopted per project under implementation in the	Adopted per project under implementation in the	Adopted per project under implementation in the

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
		projects	Quarter	Quarter	Quarter	Quarter
Improve access to sustainable and affordable services	Access to reliable electricity	A reliable electricity network			Replacement of switchgears at Lantana, Wildevy, & school substations.	
					Replacement of 5.6km of electricity reticulation cables	
					Replacement of 64 overhead line poles	
	Well illuminated public spaces	A safer and well illuminated environment			Procurement of service providers for the installation of solar based/	Installation of solar based/ energy efficient high masts and street lights

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
					energy efficient high masts and street lights	
	Public infrastructure development	Improvement of public facilities			Formation of cooperatives for Streets Paving, Stormwater culverts and speed humps. Training of the cooperatives	Commence with paving of streets in Namakgale, Lulekani & Gravelotte. Commence construction of Speed Humps at Makhushane, Maseke, Mashishima le, Matiko Xikaya and Benfarm Commence with installation of Storm water & culverts in

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
						Selwane and Makhushane
Key Performance Indicator 3: Traffic Management						
Promote environmentally sound practice and social development	Roads safety management	Road safety	Approved quarterly patrol and road safety management plan	Quarterly patrol and road safety management report	Facilitate the procurement of patrol vehicles for traffic officers – minimum 2 vehicles Quarterly patrol and road safety management report	Quarterly patrol and road safety management report
	Controlled access and secure municipal assets	Security guards available at their posts	Monthly Security Deployment Rooster approved and implemented	Monthly Security Deployment Rooster approved and implemented	Monthly Security Deployment Rooster approved and implemented	Monthly Security Deployment Rooster approved and implemented

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
		Well managed access to municipal buildings			Draft Access control policy submitted for approval	Access Control Implementation Plan approved
	Improved road safety management	Roads markings and signage	Road marking and signage rooster plan approved	Quarterly reports on roads marked and signage erected	Quarterly reports on roads marked and signage erected	Quarterly reports on roads marked and signage erected
		Installed Traffic Signs			Procurement of traffic signs for identified (paving) streets	Gravelotte, Namakgale and Lulekani
Key Performance Indicator 4: Environmental Health Management						
Address community needs through integrated spatial and development	Rehabilitation of Phalaborwa Waste site	Full rehabilitation of Phalaborwa Waste Disposal Site	Facilitate and coordinate waste disposal rehabilitation processes	Quarterly report on progress of the waste disposal rehabilitation	Commence with establishment of new waste disposal site: <ul style="list-style-type: none"> Dept Mineral 	Appointment of 4 labourers

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
planning					s & Energy approval • EIA	
Promote environmentally sound practices and social development	Appointment of staff for domestic refuse removal service at Mashishimale	Total number of identified waste disposal points operational		1 driver and 4 labourers	Appointment of 4 labourers	Quarterly report on refuse removal in Mashishimale
	% Food handling premises conform to standard	100% of food handling premises conforming	Health Inspections in all premises (quarterly inspection reports)	Health Inspections in all premises (quarterly inspection reports)	Health Inspections in all premises (quarterly inspection reports)	Health Inspections in all premises (quarterly inspection reports)
	Street cleansing roster plan	Implementation of daily street cleansing programme	Quarterly street cleansing report	Quarterly street cleansing report	Quarterly street cleansing report	Quarterly street cleansing report
	A clean environment	12 clean-up campaigns per annum	3 per quarter	3 per quarter	3 per quarter	3 per quarter

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Key Performance Indicator 6: Parks Management						
Promote environmentally sound practices	Functional equipment for the maintenance of parks and open spaces	Purchase of new and replacement of Parks equipment: <ul style="list-style-type: none">• Slashers• Mowers• Weed eaters• Poison sprays• Skid units• Power saws• Generators• Pressure cleaner• Hedge cutters• Nursery shade houses		Specification submitted	Equipment procured	Commence implementation of Dreamfields project Quarterly report on the Playpumps project
Promote environmentally sound	Light grading of 77 informal	Top cover light grading of informal soccer fields	Draw up a soccer field grading	Quarterly report on the grading of soccer	Finalise concept for the Dreamfields	Quarterly report on the mowing and

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
practices through sports	soccer fields twice annually		rooster	fields	project Commence with the implementation of the PLAYPUMPS Project	maintenance of the formal soccer fields
	All 3 stadiums and formal soccer fields maintained, mowed and marked	All 3 stadium soccer fields mowed regularly (monthly in spring & summer and every 2 months in autumn & winter)	Draw up soccer fields maintenance programme	Quarterly report on the mowing and maintenance of the formal soccer fields	Quarterly report on the mowing and maintenance of the formal soccer fields	Quarterly report on the mowing and maintenance of parks and gardens
Promote environmentally sound practices through recreation	Fully maintain, mow and develop parks and gardens	Mow and maintain all developed parks and gardens and every 2 months	Draw up a mowing and maintenance rooster for parks and gardens	Quarterly report on the mowing and maintenance of parks and gardens	Quarterly report on the mowing and maintenance of parks and gardens	Develop a programme for the elimination of alien plants from identified locations
	Ensure control of	Total elimination of			Identify prevalent	Commence with

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
	alien plants in public areas by chemical control	identified schedule 1 alien plants			schedule 1 alien plants and their locations/sites	Marula Tree planting through ECO clubs Coordinate preparations for arbor day celebrations
	Promote environmentally sound practices through tree planting	Plant a minimum of 200 indigenous trees (Marula and fruit trees)		Finalize the concept for the Treepreneurs (Trees for Life) project with Unilever & DBSA	Commence with the Treepreneurs (fruit trees project) through ECO-Clubs & support of Dept of Agriculture Finalise planning for the Marula trees	Commence with Marula Tree planting through ECO clubs Coordinate preparations for arbor day celebrations

Strategic Objective	Objective results	Institutional Indicator	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
					project.	
Key Performance Indicator 7: Library Services						
Improve access to sustainable and affordable services	Library outreach programs	Have four annual library outreach programs	1	1	1	Quarterly report on implementation of the establishment plan
	Extension of library services	Facilitate Establishment of Selwana Community Library	Coordinate and facilitate Planning phase of the construction of Selwane Library	Establishment of a task team to monitor construction progress	Selwane library services establishment plan approved	Library services awareness campaign
		Well resourced libraries	Staff the libraries in Town, Mashishimale Gravelotte and Selwane	Acquire reading materials for the municipal libraries	Coordinate infrastructure improvement for libraries	

APPENDIX C

AGREEMENTS, CONTRACTS

AND

PROJECTS UNDER PPP



MEMORANDUM OF UNDERSTANDING (MoU)

BETWEEN

**CENTRE FOR MUNICIPAL RESEARCH AND ADVICE ("CMRA")
AND REPRESENTED HEREIN BY MR. FRANK BURGERS IN HIS CAPACITY AS
MANAGING DIRECTOR DULY AUTHORIZED THERETO**

AND

**BA-PHALABORWA LOCAL MUNICIPALITY ("MUNICIPALITY")
AND REPRESENTED HEREIN BY MS. K NTSHAHEN^{VHEW} IN HIS^{HER} CAPACITY AS
MUNICIPAL MANAGER DULY AUTHORIZED THERETO**

IN RESPECT OF

**THE IMPLEMENTATION AND MANAGEMENT OF THE PROJECT
"BENCHMARKING MUNICIPAL HIV & AIDS RESPONSE IN SOUTH AFRICA"
("PROJECT")**

Handwritten signature: J.B. K...

10.4 Prior to any party terminating the agreement, a consultative process will take place whereby at least one meeting between the CMRA Project Manager and Municipal Management will take place followed by at least one written communiqué to the other party. In both occasions, problems experienced will be documented and solutions to problems experienced will be proposed, by the party initiating the process as well as reasonable time for implementation prior to termination of agreement.

10.5 Item 10.4 does not apply in the case of withdrawal of funds by the Royal Netherlands Embassy (the Funder), in which case CMRA cannot be held responsible for the termination of the agreement and the associated implications for project activities.

11. PUBLIC RELATIONS

Both parties commit to promote the benchmark project in the public domain.

12. INDEMNITY

Notwithstanding anything contained in this MoU, the Parties hereby declare indemnity and hold each other harmless for any action or prospective action brought by or on behalf of any person in respect of any action undertaken by or on behalf of the Parties from whatever cause and arising from this MoU.

13. DECLARATION:

We, the undersigned, being duly authorized, undertake to adhere to the terms and conditions as stipulated in this MOU.

Thus done and signed at Pretoria on this 25 day of July 2008 for and on behalf of the **CENTRE FOR MUNICIPAL RESEARCH AND ADVICE**, REPRESENTED HEREIN BY **MR. FRANK BURGERS** DULY AUTHORISED THERETO IN THE CAPACITY AS MANAGING DIRECTOR.

SIGNATURE

WITNESS

AND

Signed at _____ on this _____ day of _____ 2008 for and on behalf of the **BA-PHALABORWA LOCAL MUNICIPALITY**, REPRESENTED HEREIN BY **MS. K NTSHAVHENI** AUTHORISED THERETO IN THE CAPACITY AS MUNICIPAL MANAGER.

SIGNATURE

WITNESS



Memorandum of Understanding

Between

Ba-Phalaborwa Municipality (hereinafter referred as Ba-Phalaborwa Municipality)

And

BirdLife South Africa (hereinafter referred as BLSA)

November 2008



community birds & wildlife education habitat & conservation travel & accommodation

Memorandum of Understanding

Between

Ba-Phalaborwa Municipality (hereinafter referred as Ba-Phalaborwa Municipality)

And

BirdLife South Africa (hereinafter referred as BLSA)

Preamble

The Kruger to Canyons Birding Route, a Birdlife South Africa project, endeavours to generate avi-tourism opportunities within the region along with creating an awareness of conservation issues surrounding the bird species found within the region. With this in mind Kruger to Canyons Birding Route in association with the European Union, Rio Tinto and the Palabora Foundation have applied to construct a Bird Hide on Ba-Phalaborwa Municipality property. The location of this proposed hide is shown in appendix 1.

NOW THEREFORE THE PARTIES AGREE AS FOLLOWS:

1 DEFINITIONS

The headings of the clauses in this Memorandum of Understanding ("MOU") are for the purpose of convenience and reference only, and shall not be used in the interpretation of nor modify nor amplify the terms of this MOU nor any clause hereof in this MOU unless a contrary intention clearly appears

1.1 words importing –

1.1.1 any one gender include the other gender;

1.1.2 the singular include the plural and vice versa; and

1.1.3 natural persons include created entities (corporate and unincorporated) and vice versa.

1.2 If any period is referred to in this MOU by way of reference to a number of days, the days shall be reckoned exclusively of the first and inclusively of the last day which falls on a Saturday.

In witness hereof, the undersigned, being duly authorised thereto by their respective organisations have signed the MOU.

THUS DONE AND SIGNED ATON THIS, THEDAY OF 2008.

AS WITNESSES

1. _____

Ba-Phalaborwa Municipality

2. _____

The signatory signing for and on behalf of Ba-Phalaborwa Municipality being duly authorised thereto.

THUS DONE AND SIGNED ATON THIS, THEDAY OF 2008.

AS WITNESSES

1. _____

Mr Mark D. Anderson

Executive Director: BirdLife South Africa

2. _____

The signatory signing for and on behalf of Birdlife South Africa being duly authorised thereto.

APPENDIX D

ANNUAL FINANCIAL STATEMENTS

BA-PHALABORWA MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Annual Financial Statements

for

Ba-Phalaborwa Municipality

for the year ended 30 June: 2009

Province:

Limpopo

AFS rounding:

<i>R (i.e. only cents)</i>

Contact Information:	
Name of Municipal Manager:	Khumbudzo Ntshavheni
Name of Chief Financial Officer:	Tondy Nkuna
Contact telephone number:	015 780 6300
Contact e-mail address:	palamun@lantic.net
Name of contact at provincial treasury:	Lerato Khutswane
Contact telephone number:	015 298 7000
Contact e-mail address:	KhutswaneLD@treasury.limpopo.gov.za
Name of relevant Auditor:	Auditor-General
Contact telephone number:	012 426 8000
Contact e-mail address:	
Name of contact at National Treasury:	Thomas Matjeni
Contact telephone number:	thomas.matjeni@treasury.gov.za
Contact e-mail address:	012 315 5792

Ba-Phalaborwa Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

General information

Members of the Council

Cllr. G.D. Valoyi	Mayor
Cllr. M.D. Maake	Speaker
Cllr. R.I. Mhlanga	Chief Whip
Cllr. B.C. Dlamini	Member of the Executive Committee
Cllr. M.P. Malatji	Member of the Executive Committee
Cllr. P.N. Mabuye	Member of the Executive Committee
Cllr. M.P. Mukharhi	Member of the Executive Committee
Cllr. L. Booysen	Member of the Executive Committee
Cllr T.J. Makayela	Ward Councillor
Cllr. K.S. Malatji	Ward Councillor
Cllr. M.R. Popela	Ward Councillor
Cllr. T. Nkuna	Ward Councillor
Cllr. R. Du Plooy	Ward Councillor
Cllr. J.G. Mashele	Ward Councillor
Cllr. M.S. Chauke	Ward Councillor
Cllr. M.E. Malesa	Ward Councillor
Cllr. M.S. Magomane	Ward Councillor
Cllr. B.C.L. Malatji	Ward Councillor
Cllr N.A. Sono	Ward Councillor
Cllr. N.V. Sehlwane	Ward Councillor
Cllr. M.O. Makwala	Ward Councillor
Cllr. D. Rapatsa	Ward Councillor
Cllr. N.P. Nziane	Ward Councillor
Cllr. M.W.J. Shilote	Proportional Councillor
Cllr. C.Hlatshwayo	Proportional Councillor
Cllr. M.M. Malesa	Proportional Councillor
Cllr. K.S. Pilusa	Proportional Councillor
Cllr. B.S. Bompe	Proportional Councillor
Cllr. M.M. Mametja	Proportional Councillor
Cllr. M.D. Malatji	Proportional Councillor
Cllr. T.J. Malatji	Proportional Councillor
Cllr. N. Ndlovu	Proportional Councillor

Municipal Manager

Khumbudzo Ntshavheni

Chief Financial Officer

Tondy Nkuna

Grading of Local Authority

Ba-Phalaborwa Municipality is classified as a Grade 3 Medium Capacity Municipality

Auditors

Auditor-General

Bankers

Ba-Phalaborwa Municipality: 2008/09 Annual Report

Standard Bank of South Africa (Ltd)

ABSA Bank (Ltd)

Ba-Phalaborwa Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

General information (continued)

Registered Office: Civic Centre, Nelson Mandela Drive
Phalaborwa

Physical address: Ba Phalaborwa Municipality
Phalaborwa
1390

Postal address: **Ba Phalaborwa Municipality**
Private Bag 01020
Phalaborwa
1390

Telephone number: 015 780 6300

Fax number: 015 780 6381

E-mail address: **palamun@lantic.net**

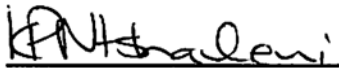
Ba-Phalaborwa Municipality
ANNUAL FINANCIAL
STATEMENTS for the year
ended 30 June 2009

Approval of Annual Financial Statements

I am responsible for the preparation and fair presentation of the Annual Financial Statements of Ba-Phalaborwa Municipality comprising the Statement of Financial Position as at 30 June 2009, and the Statement of Financial Performance, the Statement of Changes in Net Assets and cash flow statement for the year then ended, and the notes to the financial statement, which include a summary of significant accounting policies and other explanatory notes, and the performance report, in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such statements issued by the Accounting Practices Board, with the Standards of Generally Recognised Accounting Practices issued by the Accounting Standards Board and in the manner required by the MFMA and the Division of Revenue Act, 2008 (Act No. 1 of 2008) (DoRA).

I have included executed my responsibility as an accounting officer including: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

I have also made an assessment of the municipality's ability to continue as a going concern and have no reason to believe the municipality will not be a going concern in the next twelve months.



Khumbudzo
Ntshavheni
Accounting Officer
31 August 2009

Ba-Phalaborwa Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

Index	Page
General Information	
Approval of Annual Financial Statements	5
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Accounting Policies	11
Notes to the Annual Financial Statements	27
Appendix A Performance Report	

Ba-Phalaborwa Municipality			
STATEMENT OF FINANCIAL POSITION			
as at 30 June 2009			
	Note	2009 R	2008 R
ASSETS			
Current assets			
Cash and cash equivalents	2	8 875 834	1 012 311
Gross trade and similar receivables	3	183 574 423	178 271 096
Credit impairment provision	3	(126 525 367)	(120 318 769)
Inventories	6	4 680 472	2 440 392
Non-current assets held for sale	16	6 648 000	-
Non-current assets			
Investments	11	88 000	88 000
Property, plant and equipment	12	485 346 639	473 789 004
Biological assets	15	132 414	-
Total assets		562 820 415	535 282 035
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	17	(56 773 627)	(25 603 120)
Consumer deposits	18	(3 152 305)	(3 169 056)
VAT payable	19	(24 768 236)	(28 162 134)
Current provisions	21	(4 029 663)	(2 033 626)
Current portion of unspent conditional grants and receipts	22	(4 032 289)	(727 000)
Current portion of borrowings	23	(1 983 316)	(1 983 316)
Current portion of finance lease liability	24	(2 846 283)	(2 846 283)
Deferred income		(625 825)	
Non-current liabilities			
Non-current finance lease liability	24	(5 676 260)	(6 550 894)
Non-current provisions	26	(1 100 000)	(1 000 000)
Deferred income		(11 921 802)	-
Total liabilities		(116 909 607)	(72 075 429)
Net assets		445 910 808	463 206 606
NET ASSETS			
Accumulated surplus / (deficit) and reserves		445 910 808	463 206 606
Total net assets		445 910 808	463 206 606

Ba-Phalaborwa Municipality STATEMENT OF FINANCIAL PERFORMANCE for the year ending 30 June 2009			
	Note	2009 R	2008 R
Revenue			
Property rates	27	33 431 535	30 593 340
Service charges	28	107 041 080	94 058 940
Rental of facilities and equipment	29	45 099	111 888
Fines		534 540	425 116
Licences and permits		10 976 191	4 032 387
Government grants and subsidies	32	45 579 141	23 828 966
Other income	33	5 749 479	15 676 704
Total revenue		203 357 064	168 727 340
Expenses			
Employee related costs	34	60 656 462	58 773 486
Remuneration of councillors	35	6 480 244	5 823 763
Credit impairment		6 206 598	5 585 938
Depreciation and amortisation expense	36	2 415 603	2 207 047
Repairs and maintenance		398 123	598 108
Finance costs	37	1 278 939	1 235 333
Bulk purchases	38	40 391 383	25 056 386
Contracted services	39	1 851 013	-
General expenses	41	84 181 502	30 899 099
Total expenses		203 859 868	130 179 159
Surplus / (deficit) for the period		(502 804)	38 548 181

Ba-Phalaborwa Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2009

Note	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R
Balance at 30 June 2007	(49 773 299)	(49 773 299)
Transfer of historical funds and balances on implementation	91 345 794	91 345 794
Correction of prior period error	-	-
Restated balance	41 572 495	41 572 495
Recognition of previously unidentified assets	(466 236 045)	(466 236 045)
<i>Other items</i>	-	-
<i>Other items</i>	-	-
Net gains and losses not recognised in the statement of financial performance	-	-
Transfers to / from accumulated surplus/(deficit)	-	-
Surplus / (deficit) for the period	(38 543 056)	(38 543 056)
Balance at 30 June 2008	(463 206 606)	(463 206 606)
Unbundling of historical balances on implementation	11 744 019	11 744 019
Recognition of previously unidentified assets	(7 707 208)	(7 707 208)
Deferred income	12 756 184	12 756 184
Net gains and losses not recognised in the statement of financial performance	-	-
Transfers to / from accumulated surplus/(deficit)	-	-
Surplus / (deficit) for the period	502 804	502 804
Balance at 30 June 2009	(445 910 808)	(445 910 808)

Ba-Phalaborwa Municipality			
CASH FLOW STATEMENT			
as at 30 June 2009			
	Note	2 009	2 008
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		178 440 183	168 727 340
Taxation			
Sales of goods and services		116 009 221	128 684 667
Grants		45 579 141	23 828 966
Interest received			
Other receipts		16 851 821	16 213 707
Payments		153 757 140	168 498 197
Employee costs		68 391 875	64 597 249
Suppliers		85 365 265	103 900 948
Interest paid			
Other payments			
Net cash flows from operating activities		24 683 043	229 143
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(13 973 238)	(5 057 654)
Proceeds from sale of fixed assets			
Proceeds from sale of investments			
Purchase of foreign currency securities			
Net cash flows from investing activities		(13 973 238)	(5 057 654)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings			
Repayment of borrowings			
Proceeds from finance lease liability			
Repayment of finance lease liability		(2 846 283)	(2 846 283)
Net cash flows from financing activities		(2 846 283)	(2 846 283)
Net increase / (decrease) in net cash and cash equivalents		7 863 523	(7 674 794)
Net cash and cash equivalents at beginning of period		1 012 311	8 687 105
Net cash and cash equivalents at end of period		8 875 834	1 012 311

1. ACCOUNTING POLICIES

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 103 Heritage Assets - issued July 2008

These are not expected to have a material impact on the financial statements on adoption when they become effective.

1.6 PROPERTY, PLANT AND EQUIPMENT

1.6.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not

determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.6.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.6.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.6.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets [or state other method used, e.g. production-unit- or diminishing balance method]. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

INFRASTRUCTURE	USEFUL LIFE	OTHER	USEFUL LIFE
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5-7

Water	15-20	Office equipment	3-7
Sewerage	15-30	Furniture and fittings	7-10
Community building	30	Watercraft	15
Buildings	30	Bins and containers	5
		Specialised plant and equipment	10-15
Recreational Facilities	20-30	Other items of plant and equipment	2-5
Security	5	Emergency equipment	3-15
		Computer equipment	3-5
Finance lease assets	As per above	Motor cycles	3
		Other paintings & artifacts	3

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.6.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.7 INTANGIBLE ASSETS

1.7.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected

future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential."

Intangible assets are initially recognised at cost. Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.7.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test

1.7.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

1.7.3.1 Computer software

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service

amount) and an impairment loss is charged to the Statement of Financial Performance.

1.7.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8. BIOLOGICAL ASSETS

1.8.1 INITIAL RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

1.8.2 SUBSEQUENT MEASUREMENT

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value.

1.9 INVESTMENT PROPERTY

1.9.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

1.9.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property	30 years
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1.9.3 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.10 NON-CURRENT ASSETS HELD FOR SALE

1.10.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.10.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.11. INVENTORIES

1.11.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.11.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

1.12 FINANCIAL INSTRUMENTS

1.12.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

1.12.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.12.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.12.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.12.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1.12.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that is held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.13 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is

subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken;
- and when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it:

- Liabilities for annual leave are recognized as they accrue to employees. Provision is based on the potential liability (value of leave credits as at 30 June) of the municipality.
- Provision for bad debt is made by means of an annual contribution of electricity and water levies, debtor's revenue from fire brigade services and rentals.

1.17 LEASES

1.17.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

1.17.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.18 REVENUE

1.18.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on a simple average of any 3 months of readings based on the CFO'S discretion.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

1.18.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.19 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.20 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.21 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The municipality contributes towards retirement benefits of its employees and councillor's to the under-mentioned pension funds:

- Joint Municipal Pension Fund
- Municipal Employees Pension Fund
- Municipal Gratuity Fund
- SALGA Pension Fund

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

a) Defined contribution plans

Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.

b) Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

Post employment medical care benefits are accounted for in accordance with the exemptions in terms of Gazette 30013 of 29 June 2007.

1.22 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by [the proportion that contract costs incurred for work performed

to date bear to the estimated total contract costs OR surveys of work done or completion of a physical proportion of the contract work].

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.23 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a re-valued asset is treated as a revaluation increase.

1.24 ADOPTION OF STANDARDS OF GRAP

The Municipality has applied all the effective standards of GRAP for the first time during this financial period. As far as it has been practicable, applicable standards have been adopted retrospectively and the prior year figures have been restated for the purposes of comparability.

The municipality has taken advantage of the transitional provisions in respect of the Standards on Property Plant and Equipment, Inventories, construction contracts and assets held for sale. Additional disclosure of the financial statement components that have not been measured in accordance with the applicable statements of GRAP during the previous periods but which are now so recognised have been included in the notes.

The applicable GRAP statements that have been applied are as follows:

Standard	Topic
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non Cash-Generating Assets
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IAS 12	Income Taxes
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
SIC - 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC -25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC - 29	Service Concession Arrangements – Disclosures
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
2 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand			
Cash at bank		8 875 834	1 012 311
Call deposits			
		<u>8 875 834</u>	<u>1 012 311</u>

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Std Bank	4 107 289	1 012 311
Absa	<u>4 768 545</u>	
	<u>8 875 834</u>	<u>1 012 311</u>

3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
<u>Trade receivables</u>			
as at 30 June 2009			
Source of income			
Water Tariffs	58 084 281	45 409 430	12 674 851
Electricity Tariffs	8 785 409	6 170 614	2 614 795
Rates(Property rates)	25 779 508		25 779 508
Sewerage/Sanitation Tariffs	23 946 792	19 314 878	4 631 915
Refuse Removal Tariffs	15 098 197	12 287 681	2 810 516
Housing(Rental Income)	-	-	-
RSC Levies	-	-	-
Other	51 880 236	43 342 765	8 537 471
Total	<u>183 574 423</u>	<u>126 525 367</u>	<u>57 049 056</u>

as at 30 June 2008

Service debtors			
Source of income			
Water Tariffs	53 455 313	39099943.35	14 355 370
Electricity Tariffs	7 207 539	4875226.75	2 332 312
Rates(Property rates)	26 341 282		26 341 282
Sewerage/Sanitation Tariffs	23 476 479	18881496.9	4 594 982
Refuse Removal Tariffs	14 885 730	12 068 342	2 817 388
Housing(Rental Income)	-	-	-
RSC Levies	-	-	-
Other	52 904 753	45 393 760	7 510 993
Total	<u>178 271 096</u>	<u>120 318 769</u>	<u>57 952 327</u>

Other receivables

Other receivables

Rates: Ageing

Current (0 – 30 days)	1 429 282	1 556 894
31 - 60 Days	1 171 606	1 253 826
61 - 90 Days	1 057 819	1 157 631
91 - 120 Days	1 017 106	1 167 721
121 + Days	21 103 695	21 205 210
Total	<u>25 779 508</u>	<u>26 341 282</u>

Electricity, Water and Sewerage: Ageing

Current (0 – 30 days)	6 208 565	8 398 304
31 - 60 Days	4 873 086	5 378 296
61 - 90 Days	4 060 795	3 956 928
91 - 120 Days	7 294 171	3 795 472
121 + Days	135 358 298	130 400 814
Total	<u>157 794 915</u>	<u>151 929 814</u>

Ba-Phalaborwa Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
3 Reconciliation of the doubtful debt provision			
Balance at beginning of the year		120 318 769	114 732 831
Contributions to provision		6 206 598	5 585 938
Doubtful debts written off against provision		-	-
Reversal of provision		-	-
Balance at end of year		<u>126 525 367</u>	<u>120 318 769</u>
Trade and other receivables past due but not impaired			
Trade and other receivables which are less than 31 days due are not considered to be impaired			
4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
Insurance claims		-	-
Subsidies		-	-
Road reinstatements		-	-
Unauthorized expenditure (see Note 50.1)		-	-
Other debtors		-	-
Prepayments (if not material)		-	-
Total Other Debtors		<u>-</u>	<u>-</u>
5 OTHER NON-CURRENT FINANCIAL ASSETS			
Other non-current financial assets		<u>-</u>	<u>-</u>
6 INVENTORIES			
Inventories disclosed were as per stock sheets at year end. The amount used have been charged to the income statement as stocks depleted. Stock values were considered a close approximation of their net realisable values		4 680 472	2 440 392
7 PREPAYMENTS			
Prepaid expenses		<u>-</u>	<u>-</u>
8 INVESTMENTS			
Deposits		-	-
Call investments		<u>-</u>	<u>-</u>
9 NON-CURRENT RECEIVABLES			
Car loans		-	-
Staff loans		-	-
Housing selling scheme loans		-	-
Other non-current receivables		<u>-</u>	<u>-</u>
10 CONSTRUCTION CONTRACT RECEIVABLES			
Construction contract receivables represent construction work in progress at the end of the year and have been stated in terms of the transitional provision of GRAP 11			
Construction contract receivables		<u>-</u>	<u>-</u>

11 INVESTMENTS

Financial Instruments

Guarantees	88 000	88 000
Listed Investments	-	-
Other Investments	-	-
Total	88 000	88 000

Ba-Phalaborwa Municipality NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

12 PROPERTY, PLANT AND EQUIPMENT

12.1 Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Heritage R	Plant and Equipment R	Finance lease assets R	Total R
as at 1 July 2008	-	-	-	-	-	7 552 959	7 552 959
Cost/Revaluation						11 035 234	11 035 234
Correction of error (note 48)						-	-
Change in accounting policy (note 47)						-	-
Accumulated depreciation and impairment losses						(3 482 275)	(3 482 275)
Acquisitions					13 973 238		13 973 238
Capital under Construction							
Depreciation					(208 556)	(2 207 047)	(2 415 603)
Carrying value of disposals							
Cost/Revaluation	459 269 986				6 966 059		466 236 045
Accumulated depreciation and impairment losses							
Impairment loss/Reversal of impairment loss							
Transfers							
Other movements*							-
as at 30 June 2009	459 269 986	-	-	-	20 730 741	5 345 912	485 346 639
Cost/Revaluation	459 269 986				20 939 297	11 035 234	491 244 517
Accumulated depreciation and impairment losses					(208 556)	(5 689 322)	(5 897 878)

Property plant and equipment was previously not measured in accordance with the applicable Standards of GRAP. A clean-up exercise was thus performed by the Municipality during the period to recognise these assets. Council took a decision to write-off items of property plant and equipment whose existence could not be verified. In terms of the resolution, the write-off was effective during the 2007 year end against reserves. A separate exercise was performed to clean up the asset registers and identify all of the Municipality's assets which were not on the asset register and for which supporting documentation could not be found. Fair value estimates were used as estimates of the value for the identified assets. Fair values were determined by getting prices details for the similar assets which have the similar characteristics from the active market (suppliers). Fair value rating was done between 1 - 10, 10 presents that the asset is new, 7-9 present that the asset is in a very good condition, 3-6 presents that the asset can still be usable, 1-2 presents that the asset is obsolete. This resulted in assets with a management estimate of R466 million being identified as disclosed above and R6.6 million assets which were identified for sales. These were recognised as at the end of June 2008.

The asset register does not include roads and water assets constructed by the MDM on behalf of the municipality due to complaints of quality of those assets that the Municipality informed the MDM.

Ba-Phalaborwa Municipality NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

12.1 Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Heritage R	Plant and Equipment R	Finance lease assets R	Total R
as at 1 July 2007	-	-	-	-	-	9 760 006	9 760 006
Cost/Revaluation						11 035 234	11 035 234
Correction of error (note 48)						-	-
Change in accounting policy (note 47)						-	-
Accumulated depreciation and impairment losses						(1 275 228)	(1 275 228)
Acquisitions							-
Capital under Construction							-
Depreciation						(2 207 047)	(2 207 047)
Carrying value of disposals	-	-	-	-	-	-	-
Cost/Revaluation							-
Accumulated depreciation and impairment losses							-
Impairment loss/Reversal of impairment loss							-
Transfers							-
*Other movements	459 269 986				6 966 059		466 236 045
as at 30 June 2008	459 269 986	-	-	-	6 966 059	7 552 959	473 789 004
Cost/Revaluation	459 269 986				6 966 059	11 035 234	477 271 279
Accumulated depreciation and impairment losses						(3 482 275)	(3 482 275)

Ba-Phalaborwa Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
13 INTANGIBLE ASSETS		-	-
14 INVESTMENT PROPERTY		-	-
15 BIOLOGICAL ASSETS		-	-
16 NON-CURRENT ASSETS HELD FOR SALE			
Property, plant and equipment		6 648 000	
Investment property			
Other assets			
		<u>6 648 000</u>	<u>-</u>
<i>The abovementioned assets consisted of used vehicles which were held for sale at year end. It is expected their fair values approximated their net selling prices</i>			
17 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		(46 439 992)	(25 603 120)
Payments received in advance		-	-
Retentions		-	-
Staff leave accrual		-	-
Accrued interest		-	-
Other creditors		(10 333 635)	
Total creditors		<u>(56 773 627)</u>	<u>(25 603 120)</u>
The fair value of trade and other payables approximates their carrying amounts.			
18 CONSUMER DEPOSITS			
Electricity and Water		(3 152 305)	(3 169 056)
Accrued interest		-	-
Total consumer deposits		<u>(3 152 305)</u>	<u>(3 169 056)</u>
Not all consumer accounts have deposits raised against them			
19 VAT PAYABLE			
VAT payable		<u>(24 768 236)</u>	<u>(28 162 134)</u>
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors. BPM did not submit VAT Returns for September and October 2008, March, April and June 2009. The extent of any late submission penalties and interest could not be determined and as such has not been provided for.			
19 VAT RECEIVABLE			
VAT receivable		<u>-</u>	<u>-</u>

Ba-Phalaborwa Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

Note	2009 R	2008 R
20 TAXES AND TRANSFERS PAYABLE (NON-EXCHANGE)		
Taxes and transfers payable	-	-
21 PROVISIONS		
Performance bonus	-	-
Current portion of long-service provision (see note 25)	-	-
Provision for leave	(4 029 663)	(2 033 626)
Other provisions	-	-
Total Provisions	(4 029 663)	(2 033 626)
The provision for leave has been calculated based on normal leave liability at year end.		
22 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
22.1 Unspent Conditional Grants from other spheres of Government		
MIG Grants	(734 578)	-
NDPG	(2 953 438)	-
MSIG and other grants	(344 273)	(727 000)
22.2 Other Unspent Conditional Grants and Receipts		
Other		
Other		
Total Unspent Conditional Grants and Receipts	(4 032 289)	(727 000)
Non-current unspent conditional grants and receipts	-	-
Current portion of unspent conditional grants and receipts	(4 032 289)	(727 000)
The unspent portion of grants were committed to verifiable projects at year-end		
23 BORROWINGS		
Less : Current portion transferred to current liabilities	(1 983 316)	(1 983 316)
Local Registered Stock Loans	-	-
Annuity Loans	(1 983 316)	(1 983 316)
Government Loans : Other	-	-
Other borrowings		
Total borrowings	(1 983 316)	(1 983 316)

An initial loan of R2.1 million was obtained in the past to develop Extension 7. However the funds were used to finance operational expenditure and the municipality has committed to repay the amount in the following financial period.

Ba-Phalaborwa Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
24 FINANCE LEASE LIABILITY			
2009			
		Minimum lease payment R	Future finance charges R
Amounts payable under finance leases			Present value of minimum lease payments R
Within one year		(2 846 283)	(258 753)
Within two to five years		(6 243 886)	(567 626)
		(9 090 169)	(8 263 790)
Less: Amount due for settlement within 12 months (current portion)			(2 587 530)
			(5 676 260)

The average lease term was for a period of five years and the average effective borrowing rate is 10%. Interest rates are fixed at the contract date. Obligations under finance leases are secured by the lessor's title to the leased asset.

2008			
		Minimum lease payment R	Future finance charges R
Amounts payable under finance leases			Present value of minimum lease payments R
Within one year		(2 846 283)	(258 753)
Within two to five years		(7 205 983)	(655 089)
		(10 052 266)	(9 138 424)
Less: Amount due for settlement within 12 months (current portion)			(2 587 530)
			(6 550 894)

25 OTHER FINANCIAL LIABILITIES
OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities	-	-
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26 NON-CURRENT PROVISIONS

Provision for rehabilitation of landfill sites	(1 100 000)	(1 000 000)
Provision for long-service awards	-	-
	(1 100 000)	(1 000 000)

Total Non-Current Provisions

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10%, over an average period of 5 years.

It is anticipated that the landfill rehabilitation costs will amount to R1.78 million

27 PROPERTY RATES

<u>Actual</u>		
Residential	33 431 535	30 593 340
Commercial	-	-
Light Industries	-	-
Heavy Industries	-	-
State	-	-
Total property rates	33 431 535	30 593 340
Property rates - penalties imposed and collection charges	-	-
Total	33 431 535	30 593 340

Ba-Phalaborwa Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

Note	2009 R	2008 R
28 SERVICE CHARGES		
Sale of electricity	35 387 962	28 107 541
Sale of water	49 186 661	45 575 561
Refuse removal	8 567 145	7 954 683
Sewerage and sanitation charges	13 899 312	12 421 155
Total Service Charges	107 041 080	94 058 940
29 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	-	-
Rental of equipment	-	-
Other rentals of municipal assets	45 099	111 888
Total rentals	45 099	111 888
30 INTEREST EARNED - EXTERNAL INVESTMENTS	-	-
31 INTEREST EARNED - OUTSTANDING RECEIVABLES	-	-
32 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	29 090 429	22 228 800
FMG	500 000	
NDPG	6 546 562	-
MIG	6 992 293	
MSIG	2 199 856	
DSG	250 000	1 600 166
Total Government Grant and Subsidies	45 579 141	23 828 966
34 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	35 559 977	33 760 075
Employee related costs - Contributions for UIF, pensions and medical aids	9 975 638	9 220 015
Travel, motor car, accommodation, subsistence and other allowances	-	-
Housing benefits and allowances	-	-
Overtime payments	4 259 614	5 348 109
Performance and other bonuses	2 581 690	2 566 050
Long-service awards	-	-
Other employee related costs	8 279 543	7 879 237
Total Employee Related Costs	60 656 462	58 773 486
Remuneration of the Municipal Manager		
Annual Remuneration	482 625.00	482 625.00
Performance- and other bonuses		
Travel, motor car, accommodation, subsistence and other allowances	388 479.45	388 479.45
Contributions to UIF, Medical and Pension Funds	-	-
Total	871 104	871 104
Remuneration of the Chief Finance Officer		
Annual Remuneration	490 481.25	490 481.25
Performance- and other bonuses		
Travel, motor car, accommodation, subsistence and other allowances	234 569.82	234 569.82

Contributions to UIF, Medical and Pension Funds
Total

725 051	725 051
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Ba-Phalaborwa Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
35 REMUNERATION OF COUNCILLORS			
Executive Mayor		518 697	467 296
Deputy Executive Mayor		-	-
Speaker		414 958	373 836
Executive Committee Members		1 069 815	963 795
Councillors		4 123 614	3 714 984
Councillors' pension and medical aid contributions		-	-
Councillors' allowances		353 160	303 852
Total Councillors' Remuneration		6 480 244	5 823 763

The following issues in relation to employee related costs were detected in the process of compiling this Financial Statement and were caused by problems with the Financial Management System :

There were various overpayments to councillors during the year due to a deficiency in the payroll system. As a result the following Councillors had been overpaid or underpaid on a net basis according to the Ministerial Directive as at the end of the financial period:

Net (overpayments)/ Underpayments	(156 741)	663 418
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Management commits to correct these errors. It is for this reason that the Accounting Officer could not certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 34 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

36 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	2 415 603	2 207 047
Intangible assets	-	-
Investment property carried at cost	-	-
Biological assets carried at cost	-	-
Total Depreciation and Amortisation	2 415 603	2 207 047

37 FINANCE COSTS

Borrowings	1 278 939	1 235 333
Consumer deposits	-	-
Bank overdrafts	-	-
Total Finance Costs	1 278 939	1 235 333

38 BULK PURCHASES

Electricity	26 859 145	19 873 024
Water	13 532 238	5 183 362
Total Bulk Purchases	40 391 383	25 056 386

The Municipality renders water services on behalf of the water services authority [Mopani District Municipality (MDM)] although a service level agreement in compliance with section 80 of the Municipal Systems' Act is not in place. The Municipality made

monthly payments to MDM between August 2008 and May 2009 towards the bulk water purchases. The MDM has not transferred the portion of the equitable share to subsidize the rendering of free basic water to the indigents. The Municipality further contends that the debt owed to Lepelle Northern Water is for the account of the MDM since the provisions of the Water Services Act were not met prior the conclusion of the water services SLA.

39 CONTRACTED SERVICES

Contracted services for:
Security services

1 851 013	
<u>1 851 013</u>	<u>-</u>

40 GRANTS AND SUBSIDIES PAID

-	-
<u>-</u>	<u>-</u>

Ba-Phalaborwa Municipality

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

Note	2009 R	2008 R
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48 CHANGE IN ACCOUNTING POLICY

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:

47.1 Statutory Funds

Balance previously reported: -		
Capital Development Fund	-	36 799 774
Land Trust Fund	-	5 164 653
Town Development	-	11 358 575
Loans Redeemed and Other Capital Receipts	-	50 356 677
Endowment	-	5 216 019
Insurance Fund	-	(168 316)
Community facilities	-	57 023
Total	<u>-</u>	<u>108 784 405</u>
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)	-	108 784 405
Transferred to Government Grant Reserve	-	-
Transferred to Capitalisation Reserve	-	-

47.2 Provisions and Reserves

Balance previously reported		
Interest reserve	-	138 381
Accumulated leave fund	-	2 247 995
Renewal fund old aged home	-	137 669
Loss of old age home	-	354 454
Total	<u>-</u>	<u>2 878 499</u>
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)	-	2 878 499

47.3 Inventory

Balance previously reported		
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)		2 440 392
Change from first-in-first-out to weighted average method		
Total	<u>-</u>	<u>2 440 392</u>

47.4 Property, plant and equipment

Balance previously reported

Implementation of GRAP

Non-current Assets previously not recorded credited to Accumulated Surplus/(Deficit) (see 47.7 below)

Total

480 209 283	7 552 959
<u>480 209 283</u>	<u>7 552 959</u>

47.5 Historical balances and funds

All balances in reserves and trust fund accounts that were not represented by assets were transferred to the accumulated surplus. There was no legislative requirement to maintain these separate fund accounts.

47.6 Accumulated Surplus/(Deficit)

Implementation of GRAP

Fair value of Property, Plant and Equipment previously not recorded

Backlog depreciation

Total

480 209 283	11 035 234
(3 690 831)	(3 482 275)
<u>476 518 452</u>	<u>7 552 959</u>

47.7 PAYE and UIF

Opening balance

Current year payroll deductions

Amount paid - current year

-
7 675 875
(7 675 875)

47.8 Pension and Medical Aid Deductions

Opening balance

Current year payroll deductions and Council Contributions

Amount paid - current year

-
13 669 873
(13 669 873)

47.9 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:-

as at 30 June 2009

R I MHLANGA
B S BOMPE
N V SEHLWANA

Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
151		151
	1 056	1 056
	2 395	2 395
<u>151</u>	<u>3 450</u>	<u>3 601</u>

APPENDIX E

2007/08

AUDITOR-GENERAL'S AUDIT REPORT

REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE BA-PHALABORWA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Ba-Phalaborwa Municipality which comprise the balance sheet as at 30 June 2008, income statement, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages X to X.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
- appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. The municipality's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1.

Basis for adverse opinion

Corresponding figures

9. In my previous year's audit report dated 30 November 2008, the financial statements of the Ba-Phalaborwa Municipality as at 30 June 2007 and its financial performance and cash flows for the year then ended have not been prepared, in all material respects, in accordance with the basis of accounting. The qualification matters have not been resolved and my audit report is modified regarding corresponding figures.

Retained income

10. With reference to paragraph 9 above, the following matters identified in the year ended 30 June 2007 have not been resolved in the year ended 30 June 2008:
- The consumer service billing reports for the months of May and June 2007 could not be provided. An unexplained difference of R16.5 million was identified with a comparison of revenue per billing reports to amounts reflected in the financial records, for the first 10 months.
 - Unexplained differences of R5.3 million were identified between the conditional grants in the DoRA and the general ledger.
 - Retained income is understated by R998 371, receivables understated by R1.1 million and value-added tax understated by R139 772 due to transactions recorded in the incorrect financial year.
 - Included in the pre-paid electricity sales is value-added tax of R577 936. Retained income is overstated and creditors understated by the same amount.
 - Documentation to substantiate the basic water and electricity charges as well as sundry income to the amount of R1.6 million and R807 893 could not be provided.
 - Licence and electricity connection fees of R511 626 and R288 890 respectively were erroneously allocated to a cash suspense account. Retained income is understated by R800 516 and bank overdraft overstated by the same amount.
 - Unexplained differences to the amount of R475 341 existed between the amounts received according to the daily summary receipting and the amounts deposited.
 - In the absence of a valid service delivery agreement and consequently an uncertainty regarding who is accountable for the water service function, I was unable to confirm the occurrence of the balances from the sale of water totalling R35.9 million and the purchase of water totalling R7.1 million included in the annual financial statements.
 - Although the remuneration of councillors was approved for implementation with effect from 1 July 2006 in terms of the *Government Gazette No. 29447 of 1 December 2006*,

an adjustment in the remuneration, retrospectively, was not done and councillors were underpaid by R602 704 for the year ended 30 June 2007. An accrual was not raised at year-end. Retained income and creditors are understated by the amount.

- An amount of R33.1 million was not accrued at 30 June 2007 in respect of unpaid water. Creditors and retained income are understated by R29.1 million while the debtor value-added tax control account is understated by R4 million.
 - Sufficient and appropriate evidence could not be provided for expenditure transactions to the amount of R1.7 million.
 - Retained income is overstated by R34.7 million due to an under-provision on bad debt for the year ended 30 June 2007.
11. Prior year transactions have been incorrectly regarded as current year's expenditure and creditor transactions. Retained income and expenditure is overstated by R1 million and R639 117 respectively, and creditors understated by R417 986.
12. Documentation could not be provided for prior year transactions amounting to R660 388. I was unable to determine the existence, rights to and obligation as well as valuation of these transactions.

Bank and cash

13. With reference to paragraph 9 above, the following matters have not been resolved for the year ended 30 June 2008:
- An unexplained difference of R18.5 million existed between the balance per the bank reconciliations of R3.3 million and the balance in the general ledger of R21.8 million as at 30 June 2007.
 - Documentation to substantiate the uncleared entries and reconciling items of R7.2 million and R6 million on the bank reconciliations of two bank accounts for the year ended 30 June 2007 could not be provided.
 - Unallocated deposits of R8.2 million were identified on the bank reconciliation for the year ended 30 June 2007 that was not accounted for in the financial records of the municipality. Current liabilities and bank are both understated by the amount.
 - Documentation could not be provided for journal transactions in the general ledger to the amount of R1.7 million.
 - An incorrect allocation of a revenue transaction resulted in the overstatement of bank and the understatement of retained income to an amount of R511 626.
14. An unexplained difference of R64.9 million existed between the balance per the bank reconciliations of R65.6 million and the positive balance in the general ledger of R698 274 as at 30 June 2008. Management could not provide reasons for this difference.
15. A journal for conditional grants amounting to R7.4 million has been incorrectly processed to the trust fund. The trust fund and bank is overstated with this amount.
16. Documentation to substantiate the uncleared entries of R2.4 million on one bank reconciliation for the year ended 30 June 2008 could not be provided. Consequently, I was unable to conclude on the existence, rights to and valuation of the entries.
17. I identified unallocated deposits of R34.2 million on a bank reconciliation for the year ended 30 June 2008 that was not accounted for in the financial records of the municipality. Current liabilities and the bank are both understated by the amount.
18. I was unable to conclude on the existence, rights to and valuation of journal transactions in the general ledger to the amount of R64.5 million as documentation could not be provided.

19. The positive bank balance of R698 274 is incorrectly disclosed as a current liability, instead as a current asset. Furthermore, a guarantee of R876 000 held by the bank is not disclosed in the financial statements.

Revenue

20. Revenue has been overstated with R11,5 million due to a double billing run in June 2008. Consequently bank suspense account and valued-added tax have been overstated by R12.5 million and R1.0 million respectively.
21. I identified unexplained differences amounting to R2.2 million between the conditional grants in the DoRA and the general ledger. I was unable to conclude on the completeness of the conditional grants.
22. An amount of R978 000 has been identified as municipal infrastructure grants received in advance, which was incorrectly allocated to bank suspense account. The creditors and bank is understated with this amount.
23. Fixed assets totalling R4.6 million have been funded by grants without recognising the amount as expenditure and revenue. Revenue and expenditure is understated by R4.6 million.
24. No supportive documentation for direct deposits could be provided for transactions of R2.3 million to confirm classification of receipts.
25. The proceeds from the sale of assets have incorrectly been allocated to creditors instead of revenue. Revenue and creditors are understated by R729 391.
26. Value-added tax of R1.2 million has incorrectly been declared on licensing revenue, understating revenue and overstating the value-added tax creditor by the amount. Furthermore, an expenditure amount of R527 138 has been incorrectly allocated to license revenue, understating both revenue and expenditure by that amount.
27. Taking into account the incorrect allocations in paragraph 26 above, my calculation of the license income revealed a difference of R1.3 million between the recalculated balance of R10.4 million and the amount declared to the provincial Department of Transport of R9.1 million.
28. I was unable to satisfy myself to the occurrence and accuracy of sundry income and journal transactions amounting to R6.3 million and R3 million, as documentation to substantiate the transactions could not be provided.
29. The reconciliation between the total value of assessment rates according to the valuation roll and actual billing was performed. A basis does not exist to determine that all assessment rates according to the valuation roll were indeed levied to ensure the completeness and accuracy of revenue from assessment rates to the amount of R52.8 million.
30. With reference to paragraph 77, in the absence of a valid service delivery agreement and consequently an uncertainty regarding who is accountable for the water service function, I was unable to confirm the occurrence of the balances from the sale of water totalling R47.5 million and the purchase of water totalling R5.1 million included in the annual financial statements.

Inventory

31. With reference to paragraph 9 above, as well as for the year under review, the following was identified:

- My recalculation of the value of items on hand at 30 June 2007 and 30 June 2008 revealed an overstatement of R4.1 million and R7.2 million respectively from the inventory balance of R6 million and R9.6 million disclosed in note 9 to the annual financial statements. Inventory and retained income is overstated by R4.1 million and R7.2 million for the years ended 30 June 2007 and 30 June 2008.
- Documentation for journal transactions on inventory with a net amount of R1.9 million and R721 351 for the years ended 30 June 2007 and 30 June 2008 could not be provided. I was unable to verify the rights of ownership and valuation of these transactions.

Creditors

32. With reference to paragraph 9 above, I identified the following:

- Incorrect allocation of expenditure transactions to creditors and prior year adjustments resulted in the understatement of creditors and retained income by R5.5 million.
- Documentation to substantiate value-added tax and salary account balances of R4.9 million and R3.9 million respectively could not be provided.
- A difference of R2.5 million existed between the value-added tax balance of R15.5 million and my recalculation of R13 million. Creditors are therefore overstated and value-added tax control account understated by that amount.

33. Included in the creditor balance of R23.4 million in note 13 to the annual financial statements is a suspense account balance of R18 million. I identified the following:

- Incorrect allocation of expenditure transactions to creditors, bank and prior year adjustments resulted in the net understatement of creditors, expenditure and bank by R2.6 million, R456 125 and R2.2 million respectively.
- Documentation to substantiate journals processed to value-added tax of R5.6 million could not be provided.
- Documentation to substantiate balances of the salary control accounts and the suspense accounts of R709 017 and R958 735 respectively, which have not shown any movement for the last two years could not be provided. I was unable to confirm the existence, obligations and valuation of the balances.

34. I was not able to conclude on the existence, obligations and valuation of other creditors amounting to R628 963 as documentation to substantiate creditors to the value of R5.3 million could not be provided.

35. A difference of R2.8 million existed between the value-added tax balance of R20.7 million and my recalculation of R17.8 million. Creditors are therefore overstated and value-added tax control account understated by that amount.

36. An amount of R24.4 million was not accrued at year-end in respect of unpaid water at year-end. Creditors are understated and retained income overstated by this amount.

Statutory Funds and Reserves

37. With reference to paragraph 9 above, documentation to substantiate a Capital Development Fund transaction to an amount of R660 276 could not be provided.

38. The accumulated leave reserve is erroneously classified as a reserve instead of a current liability. Reserves are overstated by R2.2 million and current liabilities understated with the same amount.
39. Documentation for journal transactions of R1.9 million could not be provided. I was unable to verify the rights to and valuation of these transactions.
40. I was not able to confirm the existence, rights to and valuation of Land Trust Fund transactions amounting to R3.6 million, as documentation to substantiate these transactions could not be provided.

Trust Funds

41. With reference to paragraph 9 above,
- conditional grants totalling R212 312 with a debit balance was incorrectly classified as trust funds instead of current assets. Trust Funds and current assets are understated by R212 312, and
 - employee cost of R842 467 was incorrectly allocated to the financial management grant. In addition, the conditions of the grant were met and expenditure of R342 882 was not recognised as revenue. Trust Funds are understated by R499 585, revenue is understated by R342 882 and employee cost is understated by R842 467.
42. Conditional grants totalling R6.1 million and debtors' receipts of R7.4 million have been incorrectly classified as trust funds. Trust Funds and creditors have been overstated by R13.5 million and R6.1 million, whilst bank has been overstated by R7.4 million.
43. A difference of R13.2 million between the note to the annual financial statements and the balance per the face on the sheet has been identified.

Irregular expenditure

44. With reference to paragraph 9 above, the municipality omitted disclosure of the irregular expenditure to the amount of R2.9 million for the year ended 30 June 2007. This is contrary to section 125(2)(d) of the MFMA, which requires disclosure of irregular expenditure in the annual financial statements

Long-term liabilities

45. A difference of R497 100 exists between the loan of R807 962 as disclosed in the financial statements and the amount on the external confirmation. This difference emanated from an incorrect entry of R526 433 between the loan balance per note 4 to the annual financial statements and the creditor in note 13 to the annual financial statements. Loans are overstated and creditors are understated by R526 433.
46. The capital portion of the instalment on the medium term loan of R3.5 million has been regarded as an expense, resulting in the overstatement of the loan by R742 350. Expenditure, value-added tax and retained income are overstated by R611 751, R152 366 and R21 767 respectively.

Fixed assets

47. With reference to paragraph 9 above, documentation to substantiate loans redeemed and advances paid transactions of R1 million could not be provided. Furthermore, assets constructed by the Mopani District Municipality in the Phalaborwa area on behalf of the

municipality and assets funded from municipal infrastructure grants to the amount of R23,1 million and R1.9 million respectively for the year ended 30 June 2007 were not recognised as assets. Assets and the loans redeemed and other capital receipts are understated by R25 million while revenue and expenditure are understated by R23.1 million for the year ended 30 June 2008.

48. The municipality did not maintain a proper asset register as required by section 63(2)(c) of the MFMA. Assets to the amount of R3.7 million could not be physical verified, assets were grouped in bundles and the location of assets was omitted. Alternative procedures could not be performed to satisfy myself as to the existence, completeness, rights to and valuation of assets of R108 million as disclosed in note 6 to the annual financial statements.
49. Assets were identified that are included in the asset register at a value of between NIL and R4 as the historical cost of the assets, as required by the accounting policy, had not been determined. Alternative procedures could not be performed to obtain the value of these assets. The understatement of the assets and the loans redeemed and other receipts could not be quantified.

Long-term debtors

50. An unexplained difference of R14.1 million existed between the amount on the annual financial statements of R23.6 million and the list of long-term debtors of R9.5 million. I was unable to conclude on the existence, completeness, rights to and valuation of the balance of R23.6 million disclosed in the financial statements.
51. The municipality did not determine the short-term portion of the long-term balance. Due to a lack of sufficient and appropriate documentation, I was unable to determine the value of the understatement of the short-term portion of the long-term balance.
52. Documentation could not be provided to substantiate journal transactions totalling R2.4 million.

Debtors

53. With reference to paragraph 9 above, documentation could not be provided for amounts paid in advance and journal transactions for other income amounting to R3.4 million and R563 833 respectively,
54. There was no evidence and/or explanations to support the basis used by the municipality in arriving at the provision for bad debt amounting to R53.1 million in the annual financial statements. My alternative audit procedures revealed that the provision for bad debt should be R100.2 million. As a consequence, the provision for bad debt and expenditure are understated by R47.1 million in the annual financial statements.
55. The provision for bad debt of R53.1 million was not based on an individual or reasonable basis or on the non-payment rate, as evidence and an approved policy to substantiate the basis used to provide for bad debt could not be provided. Based on my calculation I identified the provision for bad debts should have been R100.2 million, representing an under provision of R47 million for the year ended 30 June 2008 and an understatement of expenditure by that amount.
56. I was unable to conclude on the existence, rights to and valuation of the balance of R4.7 million and R41.2 million since documentation for amounts paid in advance and journal transactions for other income, respectively could not be provided.

Leave provision

57. The provision for leave to the amount of R2.2 million and R1.2 million for the years ended 30 June 2008 and 2007 respectively was incorrectly based on the employees' basic salary instead of on the total cost-to-employer remuneration. I was unable to determine the value of the leave provision as the leave records are inaccurate and incomplete.

Employee cost

58. The remuneration of councillors was approved for implementation with effect from 1 July 2007 in terms of the *Government Gazette No. 30600*. An adjustment in the remuneration, retrospectively, was not correctly performed and councillors were underpaid by R663 418. The amount was not raised as an accrual at year-end. Employee cost and creditors are understated by that amount.
59. Documentation to substantiate payments towards the loan scheme and employee transactions of R2.1 million and R833 164 respectively could not be provided. I was unable to confirm the occurrence, accuracy and classification of the amounts.
60. An unexplained difference of R910 343 exists between the payroll sub-ledger and the employee cost in the annual financial statements.
61. Unexplained differences of R1.2 million and R425 050 were identified in the councillors' remuneration and section 57 managers' remuneration of R5.5 million and R3 million respectively in notes 15 and 15A to the annual financial statements and the general ledger amounts.
62. Arrear leave pay of R2 million could not be substantiated with documentation, nor could I determine whether pay-as-you-earn has been deducted.

Expenditure

63. I could not be provided with sufficient and appropriate evidence to conclude on the occurrence and accuracy of expenditure transactions to the amount of R2.2 million.
64. Amounts paid towards prior year outstanding water debt have been incorrectly allocated to expenditure. Expenditure and retained income is overstated by R4.7 million.

Unauthorised expenditure

65. The municipality omitted disclosure of unauthorised expenditure to the amount of R10.4 million and R11 million, which exceeded the budgeted amount in respect of operating expenditure on a vote during the financial years ended 30 June 2007 and 2008 respectively. This is contrary to section 125(2)(d) of the MFMA, which requires disclosure of unauthorised expenditure in the notes to the annual financial statements.

Losses

66. With reference to paragraph 9, the municipality identified that employees misappropriated money that was received from consumers for pre-paid electricity and omitted disclosure of the particulars of the financial loss of R468 371 in the notes to the annual financial statements.

Fruitless and wasteful expenditure

67. With reference to 9 above, the municipality omitted disclosure of fruitless and wasteful expenditure to the amount of R632 835 in the notes to the annual financial statements, which was incurred on interest paid on pay-as-you-earn and invoices as well as legal cost unnecessary incurred during the financial year ended 30 June 2007.
68. For the year under review the municipality omitted disclosure of fruitless and wasteful expenditure to the amount of R885 096, which was incurred for interest paid on valued-added tax and supplier invoices during the financial year. This is contrary to section 125(2)(d) of the MFMA, which requires disclosure of fruitless and wasteful expenditure in the annual financial statements.

Contingent liability

69. A dispute existed between the municipality, the water service authority and Lepelle Northern Water in respect of the payment of the outstanding water account of R81.5 million and R89.2 million for the years ended 30 June 2008 and 2007 respectively. The municipality omitted disclosure of the particulars of a contingent liability of said amounts in the notes to the annual financial statements, as required by section 125(2)(c) of the MFMA.

Capital commitments

70. Note 27 to the annual financial statements did not include the disclosure of commitments for both the 2006/07 and 2007/08 financial years. Alternative procedures performed revealed capital commitments of R17.7 million and R19.1 million at year-end 30 June 2007 and 2008.

Going concern

71. The annual financial statements, in my opinion do not draw attention to the concerns that the municipality may face financial constraints and difficulties in continuing with its activities in future. The effect of the matters referred to in this report on the annual financial statements should be taken into consideration. My concern also include the following:
- No investment exists to serve as security for and to support the existence of the various funds and reserves to the amount of R61.3 million.
 - Consumer debtors increased with R57.4 million, from R113.3 million to R190.7 million in the year ended 30 June 2008.
 - R2.9 million of a medium term loan was not utilised to finance capital expenditure, but to fund operational activities. The municipality deviated from the terms and conditions subject to the approval of the medium term loan.

Adverse opinion

72. In my opinion, because of the significance of the matters described in the Basis for adverse opinion paragraphs, the financial statements of the Ba-Phalaborwa Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended have not been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the MFMA and DoRA.

OTHER MATTERS

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Internal controls

73. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the adverse opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
Corresponding figures	✓	✓	✓	✓	✓
Retained income	✓		✓		✓
Bank and cash	✓		✓		✓
Revenue	✓		✓		✓
Inventory	✓		✓		✓
Creditors	✓		✓		✓
Statutory funds and Reserves	✓		✓		
Trust Funds			✓		
Irregular expenditure	✓	✓			
Long-term liabilities			✓		✓
Fixed assets	✓		✓	✓	✓
Long-term debtors			✓		
Debtors	✓		✓		✓
Leave provision			✓		
Employee cost			✓		
Expenditure	✓		✓		
Unauthorised expenditure	✓		✓		
Losses	✓	✓	✓		
Contingent liabilities	✓		✓		

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
Capital commitments	✓		✓		
Going concern	✓	✓	✓		✓
<p><u>Control environment</u>: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.</p> <p><u>Risk assessment</u>: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.</p> <p><u>Control activities</u>: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.</p> <p><u>Information and communication</u>: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.</p> <p><u>Monitoring</u>: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.</p>					

Non-compliance with applicable legislation

MFMA

74. Contrary to section 61(1) the accounting officer did not take reasonable steps to ensure the following:

- That full and proper record of the financial affairs of the municipality is kept.
- That the municipality has and maintains effective, efficient and transparent systems of financial risk and risk management and internal control.
- That unauthorised, irregular and fruitless and wasteful expenditure and other losses are prevented.

75. The following disclosures were omitted from the financial statements:

- Information on intergovernmental allocations as required by section 123(1).
- The total amount of contributions to organised local government, audit fees, taxes, pension and medical aid contributions for the financial year, and whether any amounts were outstanding as at the end of the financial year, as required by section 125(1)(b) and (c).
- Information in respect of each bank account held by the municipality during the financial year as required by section 125(2)(a).

Local Government: Municipal Systems Act (Act No. 32 of 2000) (MSA)

76. No evidence of adopting by-laws to give effect to the municipality's credit control and debt collection policy, as required by section 98(1) could be obtained, nor could any evidence be

found as to the monitoring and evaluation of the credit control and debt collection policy adopted by the municipality as required by section 99.

Local Government: Municipal Structures Act (Act No. 117 of 1998) (Str)

77. Section 84(1) regulates the functions and powers of a district municipality which includes the provision of potable water supply systems as well as systems for domestic waste-water and sewage disposal. Despite the fact that the Mopani District Municipality is the water service authority and the Department of Water and Forestry is the water service provider, the municipality billed consumers for water and collected the revenue. In terms of section 85(1) of the Act the MEC for local government may adjust the division of functions and powers between a district and a local municipality. A government gazette proclaiming the functions and powers and/or adjustment thereto could, however, not be provided, while a valid service delivery agreement between the municipality and the department was not available.

Matters of governance

78. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which we have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The municipality had an audit committee in operation throughout the financial year.	✓	
• The audit committee operates in accordance with approved, written terms of reference.	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		✓
Internal audit		
• The municipality had an internal audit function in operation throughout the financial year.		✓
• The internal audit function operates in terms of an approved internal audit plan.		✓
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		✓
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	✓	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.	✓	
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.	✓	
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior		✓

Matter of governance	Yes	No
management.		
<ul style="list-style-type: none"> The prior year's external audit recommendations have been substantially implemented. 		✓
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
<ul style="list-style-type: none"> The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007. 		✓
<ul style="list-style-type: none"> The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP. 		✓
<ul style="list-style-type: none"> The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008. 		✓

Unaudited supplementary schedules

79. The supplementary information set out on pages 28 to 34 do not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion on them.

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

80. I have reviewed the performance information as set out on pages __ to __.

Responsibility of the accounting officer for the performance information

81. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

82. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

83. In terms of the foregoing our engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

84. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

85. No quarterly reports on the progress in achieving measurable objectives and targets were prepared by the different programme managers and as a whole for the Ba-Phalaborwa Municipality to facilitate effective performance monitoring, evaluation and corrective action.
86. The internal audit processes and procedures did not include assessments of the functionality of the Ba-Phalaborwa Municipality performance management system and whether the system complied with the requirements of section 45(a) of the MSA.
87. The internal auditors of the Ba-Phalaborwa Municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and a performance audit committee.

APPRECIATION

88. The assistance rendered by the staff of the Ba-Phalaborwa Municipality during the audit is sincerely appreciated.

Polokwane

__ February 2009



A U D I T O R - G E N E R A L

APPENDIX F

2008/09 REPORT OF THE

AUDIT COMMITTEE

REPORT OF THE AUDIT COMMITTEE

The Audit Committee presents its report on the audited annual financial statements for the year ended 30 June 2009.

Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder, and meets at least 4 times per annum according to the terms of reference in the Audit Committee Charter. During the year 20 meetings were held.

Name of Member	Appointment Date	No. of Meetings Attended
Mr O J Groenewald	July 2007	20
Mr M J Malatji (Chairperson)	July 2007	20
Mr T C Modipane CA(SA)	July 2007	11
Ms E Nonyane	July 2007	0
Ms R M Phasha	July 2007	13

Terms of Reference and Audit Committee Responsibility

The Audit Committee operated within the scope approved by the Charter governing its activities. The terms of reference gives the following explicit primary instructions to the committee, to review the financial statements with management and the external auditors, review accounting policies adopted, review the effectiveness of the internal control systems and management information and co-ordinate the audit approach between internal and external auditors, review reports by the Auditors (internal/external) on the reliability and integrity of the information in the financials and the Auditor-General's management letter, and management response, investigate any matter within its powers and report promptly any case of fraud, corruption and gross negligence by management.

Internal Audit

Reviewed the Internal Audit function and found that for most part of the year under review there was no internal auditor and as result the the Audit Committee cannot express its views on the effectiveness of internal audit function. The internal audit function should be capacitated to meet the work load.

The Effectiveness of Internal Control

Management failed to implement the recommendations from the Auditor-General's 2007/8 management letter. The audit committee has raised its concerns regarding this matter at meetings held with municipal Manager, Mayor and Executive Committee.

Due to the fact that internal audit function was non-existent for the most part of the year under audit committee cannot express its views on the effectiveness of the internal control systems. Therefore the audit committee cannot comment on the adequacy, reliability and accuracy of financial reporting. The systems of controls are designed to provide cost effective assurance that assets are safeguarded, and that liabilities and working capital are efficiently managed.

However, nothing has come to the attention of the audit committee to indicate that any material breakdown in the controls, procedures and systems has taken place during the financial year under review.

Evaluation of Annual Financial Statements



The Audit Committee has:

- Reviewed and discussed the audited financial statements to be included in the annual report with the Auditor General and Accounting officer;
- Reviewed the Auditor-General's management letter and management's response thereto;

The audit committee concurs and accepts the Auditor-General's conclusion on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Risk Management

The Audit Committee has not reviewed risk management during the financial year under review due to that no risk assessments were conducted, and no risk management committee was established and therefore no quarterly risk reports were presented.

Performance Management

The performance management system established by the municipality is efficient and effective. However due to financial and staff constraints it could not be properly implemented. Assessments of senior managers were done but not for the Chief Financial Officer, as she refused to be assessed. No audits were done to verify the outcome of the assessments.

The audit committee has recommended the adoption of the financial statements by Council.

.....signature.....

John Malatji

Date

2010/01/15

APPENDIX G

2008/09

AUDITOR-GENERAL'S DRAFT AUDIT

REPORT

REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF BA-PHALABORWA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Ba-Phalaborwa Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes of in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages X to XX.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Generally Recognised Accounting Practices (Statements of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.
4. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Ba-Phalaborwa Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

Basis for disclaimer of opinion

Financial statements and trial balance

5. Financial statements and a trial balance were submitted by the legislated deadline and my audit was based on that information. Emanating from the audit I afforded the municipality an

opportunity to amend the financial statements. The amended financial statements in most instances contained the balances reflected in the initial trial balance and subsequent adjustments effected by the municipality. Material unexplained and irreconcilable differences were identified between the amended trial balance and the amended financial statements, as reflected in the table below of difference that serve as examples.

Description of balance	Amended trial balance R	Amended financial statements R	Difference R
Credit impairment provision	0	-126 525 367	-126 525 367
Gross trade and similar receivables	61 548 968	208 143 193	146 594 225
Cash and cash equivalents	-100 593 426	8 875 834	-109 469 260
Trade and other payables for exchange transactions	-31 733 233	-56 773 627	25 040 394
VAT payable	4 083 742	-24 768 236	28 851 978
Consumer deposits	16 751	-3 152 305	3 169 056

In view of the material differences identified above, my findings on the audit have been based on the amended financial statements, the initial trial balance and the subsequent adjustments.

Accumulated surplus

6. The following findings that were identified in the previous year have not been resolved:

- An amount of R27.8 million was not accrued at 30 June 2008 in respect of unpaid water. Trade and other payables are understated by R27.8 million and accumulated surplus and value added tax (VAT) overstated by R24.4 million and R3.4 million respectively.
- Documentation could not be provided for prior year transactions amounting to R660 388.
- No supportive documentation for direct deposits could be provided for transactions of R2.3 million.
- Appropriate audit evidence for sundry income and journal transactions amounting to R6.3 million and R3 million respectively could not be provided.
- Documentation to substantiate payments towards the loan scheme and employee transactions of R2.1 million and R833 164 respectively could not be provided.
- Arrear leave pay of R2 million could not be substantiated with documentation, nor could I determined whether pay-as-you-earn has been deducted.

- I could not be provided with sufficient and appropriate evidence for expenditure transactions to the amount of R2.2 million.
7. An unexplained and irreconcilable difference of R695.7 million has been identified between the current year's restated figure and the initial trial balance and the correctional journals.
 8. An unexplained and irreconcilable difference of R751.5 million has been identified between the prior year restated figure on the amended financial statements and the initial trial balance and the correction journals.
 9. Appropriate and sufficient audit evidence could not be provided for transactions included in the differences in paragraph 6 above, and amounting to R43.6 million for the current year. I was unable to confirm the existence, rights to or obligation and valuation of the transactions.
 10. Included on the statement of changes in net assets are two unexplained balances of R91.3 million and R46.1 million relating to the transfer of historical funds on implementation and correction of prior period error respectively.
 11. Appropriate audit evidence could not be provided for prior year adjustment transactions amounting to R1 million. I was unable to determine the existence, rights to and obligation and valuation of these transactions. Furthermore, a disclosure has not been made in the financial statements for prior period adjustments, as required by GRAP 03.49.
 12. The 2007/08 audited financial statements closed with a balance of R49.7 million for accumulated surplus. Emanating from the conversion from the Institute of Municipal Finance Officers (IMFO) basis of accounting to the GRAP accounting framework sufficient appropriate audit evidence could not be provided for a net movement of R604.3 million.
 13. GRAP 17.39 requires that after recognition as an asset, an item of property, plant and equipment (PPE) whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. The municipality fair valued all its assets and account for the excess, between the original value and fair value, through the accumulated surplus instead of the revaluation reserve. The revaluation reserve is understated by R584.5 million and the accumulated surplus overstated by the same amount.

Cash and cash equivalents

14. The following findings were carried over from the previous year but are not resolved:
 - Documentation to substantiate the uncleared entries of R2.4 million on one bank reconciliation for the year ended 30 June 2008 could not be provided.
 - Journal transactions in the general ledger to the amount of R64.5 million could not be substantiated by documentation.
15. Sufficient appropriate audit evidence could not be provided for the reconciling items amounting to R21 million on two bank reconciliations at year-end. Consequently, I was unable to conclude on the existence, rights to and valuation of the reconciling items.
16. Reconciling items on one bank reconciliation amounted to R32.3 million at year-end, compared to R17.1 million on the detail list. The difference of R15.2 million could not be explained.

17. Included in the initial trial balance for the current year and the prior year is an item of R13 million and R8.9 million respectively of which appropriate audit evidence could not be provided. I was unable to confirm the existence, rights to or obligation and valuation of the items.
18. Unexplained and irreconcilable differences of R124.5 million have been identified between the bank reconciliations amounting to R133.3 million and the balance on the face of the statement of financial position of R8.8 million.
19. Appropriate audit evidence for journal transactions amounting to R121.4 million and R8.9 million processed against the current year and comparative figure respectively, could not be provided. Consequently, I was unable to confirm the existence, valuation and rights to these transactions.
20. Appropriate audit evidence could not be provided for withdrawals from a bank account to confirm the existence, valuation and obligation of the transactions amounting to R4.9 million.

Deferred income

21. The principles contained in International Accounting Standard (IAS) 20 and GRAP 23 have both been applied in acknowledging contracts in progress funded from conditional grants. R12.7 million have been recognised as PPE and a deferred income liability in terms of IAS 20 while the municipality incorrectly recognised the expenditure at the same time. Accumulated surplus and expenditure is overstated by R12.7 million.

Employee cost

22. An unexplained difference of R2.2 million exists between note 33 to the financial statements and the amounts per general ledger for councillor remuneration.

Finance lease liabilities

23. Incorrect amortisation calculations revealed an overstatement of R2.2 million on the lease liability and an understatement on accumulated surplus.
24. A list to substantiate the current portion of the lease liability of R2.8 million could not be provided. I was unable to confirm the valuation of the balance.
25. Finance costs according to documentation amounted to R945 406. The amount has not been disclosed on the face of the statement of financial performance.

Unauthorised expenditure

26. Unauthorised expenditure of R21.4 million identified in the prior years was not disclosed as an opening balance in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The council in the year under review condoned R10.4 million but was not disclosed.

Loss

27. Particulars of the previous years' financial loss of R468 371 was not disclosed as an opening balance in the notes to the financial statements as required by section 125(2)(d) of the MFMA.

Fruitless and wasteful expenditure

28. Fruitless and wasteful expenditure totalling R1.5 million and identified in the prior years differs with the opening balance of R1.4 million. During the year under review I identified fruitless and wasteful expenditure amounting to R693 275 whilst the council condoned R726 913, resulting in a closing balance of R1.4 million, compared to R2 million as disclosed in note 50.2 to the financial statements.

Irregular expenditure

29. Irregular expenditure of R2.9 million identified in the prior years was not disclosed as an opening balance in the notes to the financial statements, as required by section 125(2)(d) of the MFMA.

30. Councillors' remuneration for the year under review exceeded the upper limits of the salaries, allowances and benefits by R285 033. The irregular expenditure was not disclosed in the notes to the financial statements, as required by section 125(2)(d) of the MFMA.

Inventory

31. I was unable to conclude on the existence, rights to and valuation of inventory transactions amounting to R2.4 million as appropriate audit evidence could not be provided.

Long-term receivables

32. The following findings identified for the year ended 30 June 2008 have not been resolved:

- The current portion of the non-current balance was not determined.
- Documentation could not be provided to substantiate journal transactions totalling R3.4 million.

33. The initial trial balance reflects a balance for long-term debtors of R36.6 million. A detail list of the balance could not be provided. I was unable to conclude on the existence, rights to and valuation of the balance, nor was the non-current portion separately disclosed on the face of the statement of financial position.

34. Sufficient appropriate audit evidence for debit entries of R17.7 million to long-term debtors could be provided. Consequently, I was unable to confirm the existence, valuation and rights to the transactions.

Non-current assets held for sale

35. Neither backlog depreciation, nor depreciation was determined on these assets before been classified as held for sale. These assets have also not been tested for impairment.
ALTERNATIVE

36. These assets are held at a higher carrying amount than what these assets would realise in the open market. I projected that the balance for non-current assets held for sale is overstated by R4.5 million. WHY SHOULD IT BE

Non-current provision

37. A provision for the rehabilitation of the landfill site of R1.1 million was made. I could not be provided with appropriate audit evidence to substantiate the valuation and obligation of the provision.

Operating expenditure

38. An incorrect cut-off procedure led to expenditure being overstated for the year under review. To correct this, a journal was incorrectly processed, resulting in the duplication of the expenditure. Expenditure and trade and other payables are overstated by R3.9 million and R4.5 million respectively, and VAT payable understated by R557 021.
39. Included in expenditure is an expense item "Transfer of cash" to the amount of R57.8 million. The balance consists of the transfer of funds between two bank accounts which were incorrectly recognised as an expense. The expenditure is overstated and cash and cash equivalents are understated with this amount.
40. An unexplained and irreconcilable difference of R23.2 million existed between the prior year's audited financial statements and the restated comparative figures on the current year's financial statements.
41. An unexplained and irreconcilable difference of R30.7 million has been identified between the current year's restated figure on the amended financial statements and the initial trial balance and the correction journals.
42. Appropriate audit evidence for journal transactions amounting to R9.3 million and R6 million made to the current year and comparative figures respectively could not be provided. Consequently, I was unable to confirm the occurrence and accuracy of the transactions.
43. Inadequate cut-off procedures resulted in the understatement of expenditure and payables by R3.9 million.
44. Expenditure amounting to R1.8 million was duplicated. Expenditure and accumulated surplus are overstated by R1.8 million.

Property, plant and equipment (PPE)

45. I reported in my previous year's report for the year ended 30 June 2008 that infrastructure projects constructed by the Mopani District Municipality in the Ba-Phalaborwa area on behalf of the municipality and PPE funded from municipal infrastructure grants to the amount of R25 million were not recognised as PPE. This finding has not been resolved in the year under review.
46. The municipality converted from the IMFO basis of accounting to the GRAP accounting framework with effect from 1 July 2007. As a result of the following I could not confirm the valuation and completeness of the PPE's opening balance of R664.7 million on the face of the statement of financial position:
- PPE as at 30 June 2007 totalled R102.9 million according to the audited 2007/08 financial statements, compared to a converted opening balance of R11 million which represent finance lease PPE. The remaining PPE was incorrectly not converted to GRAP.

- Backlog depreciation for the period up to 30 June 2007 was not determined on PPE according to the useful lives, as set out in the accounting policies.
- Although all PPE have been, either re-valued or fair valued in the current year, retrospective for the 2007/08 financial year, no amounts reflecting the change in the accounting policies have been disclosed in note 11.2 to the financial statements.
- Although the acquisitions for the 2007/08 financial year amounted to R5 million, the amount was not disclosed in note 11.2 to the financial statements.
- Capital under construction amounting to R__ million was not determined and disclosed in the note 11.2.

The municipality's records did not permit the application of alternative procedures regarding property, plant and equipment.

47. According to confirmation from Mopani District Municipality, an infrastructure project with a contract amount of R3.2 million was completed on behalf of the municipality. The project could not be traced to the asset register.
48. PPE totalled R108 million at 30 June 2008 and were written-off in the year under review. Consequently, a new asset register was compiled through physical inspections and PPE was either re-valued or fair valued. Appropriate audit evidence could not be provided to confirm that all PPE have been recognised. I identified land and buildings amounting to R60.7 million that have been identified from the valuation roll which does not appear on the asset register.
49. Loans redeemed and other capital receipts totalled R99 million as at 30 June 2008. With the conversion process R50.3 million has been transferred to the accumulated surplus. I could not be provided with an explanation for the difference of R48.7 million that was not transferred.
50. GRAP 17. requires that the depreciable amount of an asset shall be allocated on a systematic basis over its useful life. Depreciation was not provided on buildings for the prior and current years and the acquisitions for the year. I was unable to determine the amount of the depreciations and as a consequence expenditure and accumulated depreciation are understated in the financial statements by an unquantifiable amount.
51. At 30 June 2008 land and buildings valued R652.4 million, compare to R560.5 million as at 30 June 2009. It represents a decrease of R91.9 million. This movement did not reflect in the note to the financial statement.
52. Certain PPE classes have not yet been measured as required by GRAP 17. The municipality opted to take advantage of the transitional provision however that fact has not been disclosed in the accounting policy or the note, as required by GRAP 17.97
53. Appropriate audit evidence for current year and comparative figure journal transactions amounting to R476.3 million and R1.4 million respectively, could not be provided and I was unable to confirm the existence, valuation and rights to these transactions.
54. A journal entry of R584.5 million that represented a correction on PPE with the restatement of the financial statements does not reflect on the balance of PPE.
55. PPE that have been fair valued totalled R6.9 million at 30 June 2009. Sufficient appropriate audit evidence could not be provided to confirm the valuation of these PPE. Alternative procedures could not be performed.

56. Included in the prior year balance on the restated financial statements is a transaction of R657.1 million of which appropriate audit evidence could not be provided. I was unable to confirm the existence, rights to and valuation of the transaction.

Provisions/ accruals

57. The provision for leave to the amount of R2.2 million for the year ended 30 June 2008 was incorrectly based on the employees' basic salary instead of on the total cost-to-employer remuneration. This was not resolved.
58. The current year's provision for leave to the amount of R4 million was incorrectly based on the employees' basic salary instead of on the total cost-to-employer remuneration. I was unable to determine the value of the leave provision as the leave records are inaccurate and incomplete while a difference of R569 868 exists between the financial statements and a list provided.
59. Included in the initial trial balance is a transaction of R1.9 million for which appropriate audit evidence could not be provided. Consequently, I was unable to confirm the existence, rights to or obligation and valuation of the transaction.
60. The leave accrual for the prior year to the amount of R2.2 million has been incorrectly unbundled to the accumulated surplus account. The comparative is understated by the said amount.
61. An amount of R57 127 has been provided for bonuses but represent only the sample selected by me and corrected by management. The population has not been considered by management. I projected an understated of R2.5 million.
62. Appropriate audit evidence for journal transactions for R21.7 million and R10.5 million made to the current year and comparative figures respectively, could not be provided. I was unable to confirm the existence, valuation and obligation of the transactions.

Revenue

63. Due to incorrect journal transactions water and electricity revenue is understated by R10.9 million as the direct income was initially not accounted for on the accounting system. Cash and cash equivalents are understated by the same amount.
64. Sufficient appropriate audit evidence could not be provided for sundry income amounting to R6.8 million in the general ledger. A detailed transaction listing could not be provided for the amounts recorded and consequently, I was unable to conclude on the accuracy, occurrence and classification of these transactions.
65. I could not conclude on the occurrence and accuracy of transactions amounting to R297 million as appropriate audit evidence could not be provided.
66. The reconciliation between the total value of assessment rates according to the valuation rolls, and actual billing has not been performed. No criteria / basis exist to determine that all assessment rates according to the valuation rolls were indeed levied to ensure the completeness and accuracy of revenue from assessment rates amounting to R33.4 million as per the financial statements.
67. Revenue has been overstated with R11.7 million due to a double recording of revenue in April 2009. Consequently bank suspense account and valued-added tax have been overstated by R13 million and R1.2 million respectively.

Trade and other payables

68. With reference to paragraph 8 above, the following matter has not been resolved for the year ended 30 June 2009. I was not able to conclude on the existence, obligations and valuation of other creditors amounting to R628 963 as documentation to substantiate creditors to the value of R5.3 million could not be provided.
69. Appropriate audit evidence for journal transactions in the amount of R61.1 million and R49.2 million made to the current year and comparative figures respectively, could not be provided and we were unable to confirm the existence, valuation and obligation of the transactions.
70. An unexplained and irreconcilable difference of R12.5 million has been identified between the current year's restated figure on the amended financial statements and the initial trial balance and the correction journals.
71. The amount of work certified as complete together with the retention withheld is not recognised and disclosed as "assets under construction". Our assessment revealed an understatement of assets of R5.8 million, VAT Input of R817 591 and the trade and other payables of R6.6 million.
72. A service level agreement has been concluded between the municipality and the water service authority, assigning the responsibility as the water service provider to the municipality. For the current year under review, an amount of R53.9 million was not accrued in respect of unpaid water at 30 June 2009. Trade and other payables and expenditure are understated by R89.2 million and R53.9 million, respectively and VAT payable and accumulated surplus overstated by R10.9 million and R24.4 million respectively.
73. Appropriate audit evidence could not be provided for the balance of R56.7 million as disclosed in the financial statements. We were unable to confirm the existence, valuation and obligation of the balance.
74. The entries valued at R11.7 million that affected trade and other payables in respect of the correction journals with the restatement of the financial statements do not reflect in the balance.

Trade and similar receivables and credit impairment provision

75. With reference to paragraph 8 above, the following matter has not been resolved for the year ended 30 June 2009:
 - The provision for bad debt of R53.1 million was not based on an individual or reasonable basis or on the non-payment rate, as evidence and an approved policy to substantiate the basis used to provide for bad debt could not be provided. Based on my calculation I identified the provision for bad debts should have been R100.2 million, representing an under provision of R47 million for the year ended 30 June 2008 and an understatement of expenditure by that amount.

- I was unable to conclude on the existence, rights to and valuation of the balance of R4.7 million and R40.2 million since documentation for amounts paid in advance and journal transactions for other income, respectively could not be provided.
76. The balance of gross trade and similar receivables amounted to R208.1 million. This balance represented balances as at 31 August 2009, instead of 30 June 2009. Consequently, a detailed debtors' age analysis as at 30 June 2009 could not be provided. We were unable to verify the existence, completeness and valuation of debtors as at 30 June 2009.
77. An unexplained difference of R3.8 million existed between the previous year's audited balance of R61.8 million and the restated comparative balance of R57.9 million for receivables.
78. An unexplained and irreconcilable difference of R62.3 million in the balance for the current year was identified between the total on the initial trial balance and the total per financial statements.
79. Sufficient appropriate audit evidence could not be provided for the journal transactions totaling R55.1 million and R41 million made to the current year and comparative figures respectively. We were unable to conclude on the existence, rights to and valuation of these transactions.
80. The basis used to determine the credit impairment provision and the corresponding figure is not reasonable for the following reasons:
- The impairment was determined on the balance for gross trade and similar receivables, for which no supportive documentation exist.
 - Repayment history of consumers was not taken into consideration in determining the percentage recoverability.
 - Certain assumptions were made that is not reasonable, for instances for rates which no impairment was determined.
81. With the correction of the comparative figure for the impairment of R120.3 million VAT was not taken into account as the correction was only accounted for through the accumulated surplus. Our re-calculation determined that VAT is overstated by at least R10.2 million and the accumulated surplus understated by the said amount.

Value Added Tax (VAT)

82. With reference to paragraph 8 above, the following matter has not been resolved for the year ended 30 June 2009:
- A difference of R2.8 million existed between the value-added tax balance of R20.7 million and my recalculation of R17.8 million. Creditors are therefore overstated and value-added tax control account understated by that amount.
 - Documentation to substantiate journals processed to value-added tax of R5.6 million could not be provided.
83. Included in the initial trial balance are the following accounts of which appropriate audit evidence could not be provided for transaction amounting to R2 million. We were unable to confirm the existence, rights to or obligation and valuation of the transactions.

84. The amounts declared on the VAT returns for November 2008 to February 2009 and submitted to SARS do not agree to the general ledger, resulting in the understatement of VAT payable by R11 million and overstatement of cash and cash equivalents by the same amount.
85. Sufficient appropriate audit evidence could not be provided for the journal transactions totaling R7.4 million made to the comparative figures. We were unable to conclude on the existence, rights to and valuation of these transactions.
86. Sufficient appropriate audit evidence could not be provided for journal transactions relating to VAT of R8.7 million. We could not confirm the existence, valuation and obligation of the transactions.
87. The entries that affected VAT of the correction journals amounting to R1 million during the restatement of the financial statements does not reflect on the VAT payable balance

Appointment of consultant

88. A tender for R584 000 was awarded to a tenderer for the IMFO/GRAP conversion and compilation of the financial statements. An assessment of the tender process revealed possible irregularities.

Disclaimer of opinion

89. Because of the significance of the matter described in the Basis for disclaimer of opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

Without qualifying my opinion, I draw attention to the following matters:

Other matters

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

90. A council committee did not yet commence with investigations to fruitless and wasteful expenditure incurred by the municipality in the prior years, as required by section 32(2) of the MFMA.
91. I identified that councillors have other interests, which I was unable to establish as to whether it have been declared as required in terms of section 7(2) of the MSA.
92. We identified a regression in the audit outcomes and audit opinion. The general financial management functions which is the responsibility of the accounting officer in terms of section 62(1) of the MFMA, assisted by top management in managing and co-ordinating the financial administration of the municipality and exercising financial management responsibilities within their respective areas of responsibility as envisaged by section 77(2) and 78(1) of the MFMA, is inadequate to ensure good governance and a sound administration.

Governance framework

93. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the key governance responsibilities addressed below:

Internal control deficiencies

94. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
8,9,12,19,31,32,33,35,38, 51,64,75,82,89	Qualifying matters on corresponding figures not resolved during the year under review	1 to 7	1 to 5	1 to 7	1 to 3	1 to 3
10,11,13,47,48,72,77,83, 83,84,85,94	Balance in financial statements does not agree with trial balance.	1 to 7	1 to 5	1 to 7	1 to 3	1 to 3
14,16,17,20,22,24,25,29, 34,39,40,43,49,52,53,56, 57,60,62,63,65,66,69,71, 73,76,80,83,86,87,90,92, 93	Appropriate and sufficient evidence not provided	1 to 7	1 to 5	1 to 7	1 to 3	1 to 3
15,21,23,41,42,54,55,61,	Unexplained differences other than between financial statements and trial balance	1 to 7	1 to 5	1 to 7	1 to 3	1 to 3
27,30,31,32,33,35,36,37, 58,59,81,	Differences in disclosure or non disclosure in the financial statements	1 to 7	1 to 5	1 to 7	1 to 3	1 to 3

95. Due to the following the municipality did not maintain effective, efficient and transparent systems of financial and risk management and internal control:

- The accounting officer appointed a consultant to convert and compile the financial statements without the chief financial officer's involvement in compiling the financial statements.

- Although the initial financial statements on face value, were reasonable presented, we could not obtained all journals and support, from the municipality.
- The appropriate system reports for receivables and payables were not generated by the finance department at year-end.
- The inability of management to establish and maintain effective internal control and identify risks timely as well as to monitor and supervise internal controls over financial reporting as a whole.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5

Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

96. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		✓
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines (section 126 of the MFMA).	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and			

No.	Matter	Y	N
governance practices			
6.	Shared audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 	✓	
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 	✓	
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 		✓
7.	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 		✓
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 		✓
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		✓
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.		✓
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	
Issues relating to the reporting of performance information			
14.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
15.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
16.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Ba-Phalaborwa Municipality against its mandate, predetermined objectives, outputs, indicators and targets (section 68 of the MFMA).	✓	
17.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		✓

97. The accounting officer appointed a consultant to convert and compile the financial statements without the chief financial officer's involvement in compiling the financial statements. Although the initial financial statements, on face value, were reasonable presented, we could not obtain appropriate audit evidence for the journals. The appropriate system reports for receivables and payables were not generated by the finance department at year-end. The inability of the accounting officer and the chief financial officer to coordinate their efforts to maintain effective internal control and identify risks timely as well as to monitor and supervise internal controls over financial reporting as a whole, resulted in a regression in the quality of the financial statements, and the audit outcomes, compared to the prior year.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

98. I have reviewed the performance information as set out on pages __ to __.

The accounting officer's responsibility for the performance information

99. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

100. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
101. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
102. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

Content of integrated development plan

103. The integrated development plan of the municipality did not include the performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the Municipal Systems Act, 2000 (MSA) and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001 (Regulations).
104. The key performance indicators set by the municipality did not include the general key performance indicators applicable to the municipality, as prescribed in terms of section 43(1) of the MSA.

Lack of adoption of a performance management system

105. The municipality did not adopt a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of regulations 7 and 8 of the Regulations.

Mid-year budget and performance assessments

106. The accounting officer of the municipality did not assess the performance of the municipality during the first half of the financial year, taking into account:

- the service delivery targets and performance indicators set in the service delivery and budget implementation plan and
- the past years annual report and progress on resolving problems identified in the annual report as required by section 72(1)(a) of the Municipal Finance Management Act, 2003 (MFMA).

107. The accounting officer of the municipality did not submit the mid-year budget and performance assessment report to the mayor of the municipality, National Treasury or the Provincial Treasury as required by section 72(1)(b) of the MFMA.

Inconsistently reported performance information

108. The municipality has not reported throughout on its performance with regard to its objectives, indicators and targets as per the approved integrated development plan.

Reported performance information not reliable

Source information not accurate and complete

109. The source information or evidence provided to support the reported performance information with regard to the following indicators did not adequately support the accuracy and completeness of the facts.

Objective	Indicator	Annual target	Reported performance	Actual performance per supporting documents
KPA1 - Job creation	Job creation	378	86 jobs created according to 3 rd quarter report	157 jobs created during the 3 rd quarter
KPA5 - Number of ordinary council sittings	Number of ordinary council sittings	4 ordinary council meetings held	4 ordinary council and 3 special council meetings held according to annual performance report	6 ordinary council and 3 special council meetings held

APPRECIATION

110. The assistance rendered by the staff of the Ba Phalaborwa Municipality during the audit is sincerely appreciated.

Polokwane

30 November 2009



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

APPENDIX H

ACTION PLAN FOR 2009/10 TO

ADDRESS 2008/09 FY AUDIT ISSUES

Ref	Issues	Action	Due Date	Status	Responsibility
		QUALIFICATION MATTERS			
A	Accumulated surplus				
The following findings that were identified in the previous year have not been resolved:					
1	An amount of R27.8 million was not accrued at 30 June 2008 in respect of unpaid water. Trade and other payables are understated by R27.8 million and accumulated surplus and value added tax (VAT) overstated by R24.4 million and R3.4 million respectively.	List of accrual should be generated and reviewed on a monthly basis. A journal for all accruals at year end should be prepared and the financial statements adjusted together with the supporting documents. Municipal Manager to raise with AG and Accountant General accruals for previous years for submission to Council and agreement on these legacy issues should be in writing Compile 6 months – interim statements financial statements	February 2010 March 2010 March 2010	In-progress	CFO MM CFO
2	Documentation could not be provided for prior year transactions amounting to R660 388.	Supporting documentation for prior year transaction should be obtained. Reconcile supporting documents for the interim financial statements Recommend to Council for write off where supporting documents cannot be generated. Request Accountant General to approve write off on accruals	February 2010 March 2010	In-progress	CFO MM
3	No supportive documentation for direct deposits could be provided for	Supporting documentation for direct deposits should be obtained. Bank reconciliation should also	February 2010	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	transactions of R2.3 million.	be prepared and reviewed on a monthly basis.			
4	Appropriate audit evidence for sundry income and journal transactions amounting to R6.3 million and R3 million respectively could not be provided.	Supporting documentation should be obtained. Strengthen controls on passing of journals and obtain all supporting documentation and approval before passing journal	February 2010	In-progress	CFO.
5	Documentation to substantiate payments towards the loan scheme and employee transactions of R2.1 million and R833 164 respectively could not be provided.	Supporting documentation should be reconstructed.	February 2010	In-progress	CFO.
6	Arrear leave pay of R2 million could not be substantiated with documentation, nor could I determined whether pay-as-you-earn has been deducted	Supporting documentation should be reconstructed and filed. Salaries schedules for payroll should be prepared monthly by Human Resource and reconciled with the schedules from the SEBATA system.	February 2010	In-progress	CFO/ Corporate Services
7	I could not be provided with sufficient and appropriate evidence for expenditure transactions to the amount of R2.2 million.	Improve employee related cost expenditure management and strengthen internal controls and ensure that all supporting documents are filed accordingly	February 2010	In-progress	CFO/Corporate Services
8	An unexplained and irreconcilable difference of R695.7 million has been identified between the current year's	A journal should be prepared and financial statements be adjusted and supporting documents for journals be kept.	February 2010	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	restated figure and the initial trial balance and the correctional journals.				
9	An unexplained and irreconcilable difference of R751.5 million has been identified between the prior year restated figure on the amended financial statements and the initial trial balance and the correction journals.	A journal should be prepared and financial statements be adjusted with supporting documentation.	February 2010	In-progress	CFO.
10	Appropriate and sufficient audit evidence could not be provided for transactions included in the differences in paragraph 6 above, and amounting to R43.6 million for the current year. I was unable to confirm the existence, rights to or obligation and valuation of the transactions.	Supporting documentation should be obtained	February 2010	In-progress	CFO.
11	Included on the statement of changes in net assets are two unexplained balances of R91.3 million and R46.1 million relating to the transfer of historical funds on implementation and correction of prior period error respectively. Appropriate audit	A journal should be prepared and financial statements be adjusted with supporting documentation Supporting documentation should be obtained.	February 2010	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	evidence could not be provided for prior year adjustment transactions amounting to R1 million. I was unable to determine the existence, rights to and obligation and valuation of these transactions. Furthermore, a disclosure has not been made in the financial statements for prior period adjustments, as required by GRAP 03.49.	Prior period adjustments as required by GRAP 03.49 should be disclosed in the annual financial statements.			
12	The 2007/08 audited financial statements closed with a balance of R49.7 million for accumulated surplus. Emanating from the conversion from the Institute of Municipal Finance Officers (IMFO) basis of accounting to the GRAP accounting framework sufficient appropriate audit evidence could not be provided for a net movement of R604.3 million.	Supporting documentation for the net movement due to GAMAP/GRAP conversion should be obtained. Pass journals for all issues raised by AG in relation to asset register to correct errors	February 2010	In-progress	CFO.
13	GRAP 17.39 requires that after recognition as an asset, an item of property, plant and equipment (PPE) whose fair value can be measured reliably shall be carried at a revalued amount,	Appoint an expert in asset valuation to correct fair value estimation as per asset register. A journal should be prepared and financial statements be adjusted with supporting	February 2010	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
B.	being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. The municipality fair valued all its assets and account for the excess, between the original value and fair value, through the accumulated surplus instead of the revaluation reserve. The revaluation reserve is understated by R584.5 million and the accumulated surplus overstated by the same amount.	documentation			
	Cash and cash equivalents				
1	Documentation to substantiate the uncleared entries of R2.4 million on one bank reconciliation for the year ended 30 June 2008 could not be provided.	Bank reconciliation should be prepared and reviewed on a monthly basis. The report should form part of the monthly management meeting.	Monthly	In-progress	CFO.
2	Journal transactions in the general ledger to the amount of R64.5 million could not be substantiated by documentation.	Journals should be approved before been captured in the system with the attached supporting documentation. Supporting documentation for the journal transactions should be obtained. Reverse all cash related journals	Monthly	In-progress	CFO.
3	Sufficient appropriate audit evidence could not be provided for the reconciling items	Bank reconciliation should be prepared and reviewed on a monthly basis. The report should form part of	Monthly	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	amounting to R21 million on two bank reconciliations at year-end. Consequently, I was unable to conclude on the existence, rights to and valuation of the reconciling items.	the monthly management meeting.			
4	Reconciling items on one bank reconciliation amounted to R32.3 million at year-end, compared to R17.1 million on the detail list. The difference of R15.2 million could not be explained.	Bank reconciliation should be prepared and reviewed on a monthly basis. The report should form part of the monthly management meeting.	Monthly	In-progress	CFO.
5	Included in the initial trial balance for the current year and the prior year is an item of R13 million and R8.9 million respectively of which appropriate audit evidence could not be provided. I was unable to confirm the existence, rights to or obligation and valuation of the items.	Supporting documentation should be obtained.	February 2010	In-progress	CFO.
6	Unexplained and irreconcilable differences of R124.5 million have been identified between the bank reconciliations amounting to R133.3 million and the balance on the face of the statement of financial position of R8.8 million.	Bank reconciliation should be prepared and reviewed on a monthly basis. The report should form part of the monthly management meeting .A journal should be prepared and financial statements be adjusted with supporting documentation	Monthly	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
7	<p>Appropriate audit evidence for journal transactions amounting to R121.4 million and R8.9 million processed against the current year and comparative figure respectively, could not be provided. Consequently, I was unable to confirm the existence, valuation and rights to these transactions.</p> <p>111. Appropriate audit evidence could not be provided for withdrawals from a bank account to confirm the existence, valuation and obligation of the transactions amounting to R4.9 million.</p>	Supporting documentation for the journal transaction should be prepared, approved and filed before passing journals.	February 2010.	In-progress	CFO.
C.	Deferred income.				
1	<p>The principles contained in International Accounting Standard (IAS) 20 and GRAP 23 have both been applied in acknowledging contracts in progress funded from conditional grants. R12.7 million have been recognised as PPE and a deferred income liability in terms of IAS 20 while the municipality</p>	<p>A journal should be prepared and financial statements be adjusted with supporting documentation</p> <p>All grants allocation and receipt for the financial year should be reconciled from scratch</p>	March 2010	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	incorrectly recognised the expenditure at the same time. Accumulated surplus and expenditure is overstated by R12.7 million.				
D	Employee cost				
1	An unexplained difference of R2.2 million exists between note 33 to the financial statements and the amounts per general ledger for councillor remuneration	A journal should be prepared and financial statements be adjusted with supporting documentation	February 2010.	In-progress	CFO.
E.	Finance lease liabilities				
1	Incorrect amortisation calculations revealed an overstatement of R2.2 million on the lease liability and an understatement on accumulated surplus.	A journal should be prepared and financial statements be adjusted with supporting documentation Request/ re-calculate amortization schedule from Standard Bank	February 2010.	In-progress	CFO.
2	A list to substantiate the current portion of the lease liability of R2.8 million could not be provided. I was unable to confirm the valuation of the balance.	Re-calculate the amortization schedule. Supporting documentation for the lease liability should be obtained.	February 2010.	In-progress	CFO.
3	Finance costs according to documentation amounted to R945 406. The amount has not been disclosed on the face of the statement of financial performance.	Disclosure should be made in the statement of financial performance.	February 2010.	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
Unauthorised expenditure					
1	Unauthorised expenditure of R21.4 million identified in the prior years was not disclosed as an opening balance in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The council in the year under review condoned R10.4 million but was not disclosed.	The expenditure should be disclosed in the notes to the annual financial statements as required by section 125(2)(d) of the MFMA. Ensure that all MFMA disclosures are done	February 2010.	In-progress	CFO.
Loss					
1	Particulars of the previous years' financial loss of R468 371 was not disclosed as an opening balance in the notes to the financial statements as required by section 125(2)(d) of the MFMA.	Disclosure should be made in the notes to the financial statements as required by section 125(2)(d).	February 2010.	In-progress	CFO.
Fruitless and wasteful expenditure					
1.	Fruitless and wasteful expenditure totalling R1.5 million and identified in the prior years differs with the opening balance of R1.4 million. During the year under review I identified fruitless and wasteful expenditure amounting to R693 275 whilst the	Notes disclosed to the annual financial statements should be adjusted with the correct closing balance.	February 2010.	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	council condoned R726 913, resulting in a closing balance of R1.4 million, compared to R2 million as disclose in note 50.2 to the financial statements.				
Irregular expenditure					
1	Irregular expenditure of R2.9 million identified in the prior years was not disclosed as an opening balance in the notes to the financial statements, as required by section 125(2)(d) of the MFMA	Disclosure should be made in the notes to the financial statements as required by section 125(2)(d).	February 2010.	In-progress	CFO.
2	Councillors' remuneration for the year under review exceeded the upper limits of the salaries, allowances and benefits by R285 033. The irregular expenditure was not disclosed in the notes to the financial statements, as required by section 125(2)(d) of the MFMA.	Disclosure should be made in the notes to the financial statements as required by section 125(2)(d).	February 2010.	In-progress	CFO.
Inventory					
1	I was unable to conclude on the existence, rights to and valuation of inventory transactions amounting to R2.4 million as appropriate audit evidence could not be provided.	Monthly reconciliation of purchased inventory, inventory on hand and issued inventory with the general ledger recordings be done and supporting documentation be kept.	February 2010.	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	Long-term receivables				
The following findings identified for the year ended 30 June 2008 have not been resolved:					
1	The current portion of the non-current balance was not determined.	Current portion should be recalculated and the amount be recorded in the general ledger and annual financial statements.	February 2010.	In-progress	CFO.
2	Documentation could not be provided to substantiate journal transactions totalling R3.4 million	Supporting documentation should be obtained.	February 2010.	In-progress	CFO.
3	The initial trial balance reflects a balance for long-term debtors of R36.6 million. A detail list of the balance could not be provided. I was unable to conclude on the existence, rights to and valuation of the balance, nor was the non-current portion separately disclosed on the face of the statement of financial position.	Detailed list should be generated from the system together with the supporting documentation.	February 2010.	In-progress	CFO.
4	Sufficient appropriate audit evidence for debit entries of R17.7 million to long-term debtors could be provided. Consequently, I was unable to confirm the existence, valuation and rights to the transactions.	Supporting documentation should be obtained.	February 2010.	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
Non-current assets held for sale					
1	Neither backlog depreciation, nor depreciation was determined on these assets before been classified as held for sale. These assets have also not been tested for impairment.	A proper asset register which complies with GRAP 17 should be prepared and reviewed. Asset register – calculate backlog depreciation – exemption on Grap 17	May 2010	In-progress	CFO.
2	These assets are held at a higher carrying amount than what these assets would realise in the open market. I projected that the balance for non-current assets held for sale is overstated by R4.5 million.	A proper asset register which complies with GRAP 17 should be prepared and reviewed.	May 2010	In-progress	CFO.
Non-current provision					
1	A provision for the rehabilitation of the landfill site of R1.1 million was made. I could not be provided with appropriate audit evidence to substantiate the valuation and obligation of the provision.	Supporting documentation for the valuation of landfill site should be obtained.	February 2010.	In-progress	CFO.
	Operating expenditure				
1	An incorrect cut-off procedure led to expenditure being overstated for the year under review. To correct this, a journal was	A journal should be prepared and the annual financial statements be adjusted together with the supporting documentation.	February 2010.	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	incorrectly processed, resulting in the duplication of the expenditure. Expenditure and trade and other payables are overstated by R3.9 million and R4.5 million respectively, and VAT payable understated by R557 021.				
2	Included in expenditure is an expense item "Transfer of cash" to the amount of R57.8 million. The balance consists of the transfer of funds between two bank accounts which were incorrectly recognised as an expense. The expenditure is overstated and cash and cash equivalents are understated with this amount.	A journal should be prepared and the annual financial statements be adjusted together with the supporting documentation	February 2010.	In-progress	CFO.
3	An unexplained and irreconcilable difference of R23.2 million existed between the prior year's audited financial statements and the restated comparative figures on the current year's financial statements.	A journal should be prepared and the annual financial statements be adjusted together with the supporting documentation	February 2010.	In-progress	CFO.
4	An unexplained and irreconcilable difference of R30.7 million has been identified between	A journal should be prepared and the annual financial statements be adjusted together with the supporting documentation	February 2010.	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	the current year's restated figure on the amended financial statements and the initial trial balance and the correction journals				
5	Appropriate audit evidence for journal transactions amounting to R9.3 million and R6 million made to the current year and comparative figures respectively could not be provided. Consequently, I was unable to confirm the occurrence and accuracy of the transactions.	Supporting documentation should be obtained.	February 2010.	In-progress	CFO.
6	Inadequate cut-off procedures resulted in the understatement of expenditure and payables by R3.9 million.	Creditor's reconciliation should be prepared and reviewed. The report should form part of the monthly management report.	monthly	In-progress	CFO.
7	Expenditure amounting to R1.8 million was duplicated. Expenditure and accumulated surplus are overstated by R1.8 million.	A journal should be prepared and the annual financial statements be adjusted together with the supporting documentation.	February 2010.	In-progress	CFO.
Property, plant and equipment (PPE)					
1	I reported in my previous year's report for the year ended 30 June 2008	A proper asset register including all assets funded by the infrastructure grants and the district municipality, which	May 2010	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	that infrastructure projects constructed by the Mopani District Municipality in the Ba-Phalaborwa area on behalf of the municipality and PPE funded from municipal infrastructure grants to the amount of R25 million were not recognised as PPE. This finding has not been resolved in the year under review.	<p>complies with GRAP 17 should be prepared and reviewed.</p> <p>All assets in dispute with the District Municipality must be sorted and exemption not to comply to should be obtained should these issues not sorted out.</p>			MM
2	The municipality converted from the IMFO basis of accounting to the GRAP accounting framework with effect from 1 July 2007. As a result of the following I could not confirm the valuation and completeness of the PPE's opening balance of R664.7 million on the face of the statement of financial position:	A proper asset register which complies with GRAP 17 should be prepared and reviewed. Restated balances should be supported by the supporting documentations.	May 2010	In-progress	CFO.
3	PPE as at 30 June 2007 totalled R102.9 million according to the audited 2007/08 financial statements, compared to a converted opening balance of R11 million which represent finance lease PPE. The remaining PPE was incorrectly not converted to GRAP.	A proper asset register which complies with GRAP 17 should be prepared and reviewed.	May 2010	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
4	Backlog depreciation for the period up to 30 June 2007 was not determined on PPE according to the useful lives, as set out in the accounting policies.	A proper asset register which complies with GRAP 17 should be prepared and reviewed.	May 2010	In-progress	CFO.
5	Although all PPE have been, either re-valued or fair valued in the current year, retrospective for the 2007/08 financial year, no amounts reflecting the change in the accounting policies have been disclosed in note 11.2 to the financial statements.	Amounts reflecting the change in the accounting policies should be disclosed in the notes to the financial statements.	February 2010.	In-progress	CFO.
6	Although the acquisitions for the 2007/08 financial year amounted to R5 million, the amount was not disclosed in note 11.2 to the financial statements.	Acquisitions for the 2007/08 financial year of R5 million, should be disclosed in note 11.2 of the financial statements.	February 2010.	In-progress	CFO.
7	Assets under construction amounting to R___ million was not determined and disclosed in the note 11.2.	Assets under construction should be disclosed in the notes to the financial statements.	February 2010.	In-progress	CFO.
8	According to confirmation from Mopani District Municipality, an infrastructure project with a contract amount of R3.2 million was completed on behalf of the municipality. The project could not be traced to the asset register.	A proper asset register including all assets funded by the infrastructure grants and the district municipality, which complies with GRAP 17 should be prepared and reviewed.	May 2010	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
9	PPE totalled R108 million at 30 June 2008 and were written-off in the year under review. Consequently, a new asset register was compiled through physical inspections and PPE was either re-valued or fair valued. Appropriate audit evidence could not be provided to confirm that all PPE have been recognised. I identified land and buildings amounting to R60.7 million that have been identified from the valuation roll which does not appear on the asset register.	A proper asset register including all assets funded by the infrastructure grants and the district municipality, which complies with GRAP 17 should be prepared and reviewed.	May 2010	In-progress	CFO.
10	Loans redeemed and other capital receipts totalled R99 million as at 30 June 2008. With the conversion process R50.3 million has been transferred to the accumulated surplus. I could not be provided with an explanation for the difference of R48.7 million that was not transferred.	A proper asset register including all assets funded by the infrastructure grants and the district municipality, which complies with GRAP 17 should be prepared and reviewed.	May 2010	In-progress	CFO.
11	GRAP 17.____ requires that the depreciable amount of an asset shall be allocated on a systematic basis over its useful life. Depreciation was not	A proper asset register including all assets funded by the infrastructure grants and the district municipality, which complies with GRAP 17 should be prepared and reviewed.	May 2010	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	provided on buildings for the prior and current years and the acquisitions for the year. I was unable to determine the amount of the depreciations and as a consequence expenditure and accumulated depreciation are understated in the financial statements by an unquantifiable				
12	At 30 June 2008 land and buildings valued R652.4 million, compare to R560.5 million as at 30 June 2009. It represents a decrease of R91.9 million. This movement did not reflect in the note to the financial statement.	This movement for land and buildings should be disclosed in the note to the financial statements.	February 2010.	In-progress	CFO.
13	Certain PPE classes have not yet been measured as required by GRAP 17. The municipality opted to take advantage of the transitional provision however that fact has not been disclosed in the accounting policy or the note, as required by GRAP 17.97	Transitional provision for certain classes of PPE Items which have not yet been measured should be disclosed in the accounting policy or the note, as required by GRAP 17.97	February 2010.	In-progress	CFO.
14	Appropriate audit evidence for current year and	Reconstruct supporting documentation for journal transactions and obtain approval of the journals.	February 2010.	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	comparative figure journal transactions amounting to R476.3 million and R1.4 million respectively, could not be provided and I was unable to confirm the existence, valuation and rights to these transactions.				
15	A journal entry of R584.5 million that represented a correction on PPE with the restatement of the financial statements does not reflect on the balance of PPE.	Supporting documentation for the journal entry should be obtained to ensure the correct restatement of PPE in the financial statements.	February 2010.	In-progress	CFO.
16	PPE that have been fair valued totalled R6.9 million at 30 June 2009. Sufficient appropriate audit evidence could not be provided to confirm the valuation of these PPE. Alternative procedures could not be performed.	<p>The method followed on the valuation of municipal assets should be obtained to ensure compliance with GRAP 17.</p> <p>Qualified assets valuer to be appointed to value the assets</p>	February 2010.	In-progress	CFO.
17	Included in the prior year balance on the restated financial statements is a transaction of R657.1 million of which appropriate audit evidence could not be provided. I was unable to confirm the existence, rights to	Supporting documents for restatement of prior year transaction of R657.1 million should be obtained.	February 2010.	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	and valuation of the transaction				
Provisions/ accruals					
1	The provision for leave to the amount of R2.2 million for the year ended 30 June 2008 was incorrectly based on the employees' basic salary instead of on the total cost-to-employer remuneration. This was not resolved.	A new provision for leave should be recalculated based on the total cost to employer remuneration. The amount should be disclosed in the notes to the annual financial statements.	February 2010.	In-progress	CFO/ Corporate Services.
2	The current year's provision for leave to the amount of R4 million was incorrectly based on the employees' basic salary instead of on the total cost-to-employer remuneration. I was unable to determine the value of the leave provision as the leave records are inaccurate and incomplete while a difference of R569 868 exists between the financial statements and a list provided.	A new provision for leave should be recalculated based on the total cost to employer remuneration. The amount should be disclosed in the notes to the annual financial statements.	February 2010.	In-progress	CFO/ Corporate Services
3	Included in the initial trial balance is a transaction of R1.9 million for which appropriate audit evidence could not be provided. Consequently, I was unable to confirm the existence, rights to or obligation and	Supporting documents for the transaction of R1.9 million should be obtained.	February 2010.	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	valuation of the transaction				
4	The leave accrual for the prior year to the amount of R2.2 million has been incorrectly unbundled to the accumulated surplus account. The comparative is understated by the said amount.	The unbundling of prior year leave accrual should be investigated and the necessary adjustments be effected in the annual financial statements.	February 2010.	In-progress	CFO.
5	An amount of R57 127 has been provided for bonuses but represent only the sample selected by me and corrected by management. The population has not been considered by management. I projected an understated of R2.5 million.	The correct bonus amount should be obtained and the amount be updated in the statement of financial performance and disclosure notes to the annual financial statements.	February 2010.	In-progress	CFO.
6	Appropriate audit evidence for journal transactions for R21.7 million and R10.5 million made to the current year and comparative figures respectively, could not be provided. I was unable to confirm the existence, valuation and obligation of the transactions.	Supporting documentation for the journal transaction should be obtained.	February 2010.	In-progress	CFO/ Corporate Services.
Revenue					
1	Due to incorrect journal transactions water and electricity	A journal should be prepared and the financial statements be adjusted	February 2010.	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	revenue is understated by R10.9 million as the direct income was initially not accounted for on the accounting system. Cash and cash equivalents are understated by the same amount.	together with the supporting documents. Engage AG on accounting assumptions/ principles			
2	Sufficient appropriate audit evidence could not be provided for sundry income amounting to R6.8 million in the general ledger. A detailed transaction listing could not be provided for the amounts recorded and consequently, I was unable to conclude on the accuracy, occurrence and classification of these transactions	Supporting documentation for sundry income should be obtained.	February 2010.	In-progress	CFO.
3	I could not conclude on the occurrence and accuracy of transactions amounting to R297 million as appropriate audit evidence could not be provided. The reconciliation between the total value of assessment rates according to the valuation rolls, and actual billing has not been performed. No criteria / basis exist to determine that all assessment rates according to the valuation rolls	Supporting documentation should be obtained. The reconciliation between the total value of assessment rates according to the valuation rolls, and actual billing should be performed. Data-cleansing to solve all the issues in relation to valuation roll	February 2010.	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	were indeed levied to ensure the completeness and accuracy of revenue from assessment rates amounting to R33.4 million as per the financial statements.				
4	Revenue has been overstated with R11.7 million due to a double recording of revenue in April 2009. Consequently bank suspense account and valued-added tax have been overstated by R13 million and R1.2 million respectively.	Statement of financial performance should be adjusted with the amount in error. The general ledger should also be agreed to the amount recorded in error		In-progress	CFO.
Trade and other payables					
1	With reference to paragraph 8 above, the following matter has not been resolved for the year ended 30 June 2009. I was not able to conclude on the existence, obligations and valuation of other creditors amounting to R628 963 as documentation to substantiate creditors to the value of R5.3 million could not be provided.	Supporting documentation should be reconstructed and creditors reconciliation must be performed on a monthly basis and filled.	February 2010.	In-progress	CFO.
2	Appropriate audit evidence for journal transactions in the amount of R61.1	Supporting documentation for journal transactions should be reconstructed and filled.	February 2010.	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	million and R49.2 million made to the current year and comparative figures respectively, could not be provided and we were unable to confirm the existence, valuation and obligation of the transactions.				
3	An unexplained and irreconcilable difference of R12.5 million has been identified between the current year's restated figure on the amended financial statements and the initial trial balance and the correction journals.	A journal should be prepared and the financial statements be adjusted together with the supporting documents.	February 2010.	In-progress	CFO.
4	<p>The amount of work certified as complete together with the retention withheld is not recognised and disclosed as "assets under construction". Our assessment revealed an understatement of assets of R5.8 million, VAT Input of R817 591 and the trade and other payables of R6.6 million.</p> <p>A service level agreement has been concluded between the municipality and the water service authority, assigning the responsibility as</p>	<p>The amount of work certified as complete together with the retention withheld should be recognised and disclosed as assets under construction in the financial statements.</p> <p>A journal should be prepared and the financial statements be adjusted together with the supporting documents</p> <p>WSP status must be sorted between the District and the Municipality</p>	<p>February 2010.</p> <p>May 2010</p>	In-progress	<p>CFO/ Director Technical Services</p> <p>MM</p>

Ref	Issues	Action	Due Date	Status	Responsibility
	the water service provider to the municipality. For the current year under review, an amount of R53.9 million was not accrued in respect of unpaid water at 30 June 2009. Trade and other payables and expenditure are understated by R89.2 million and R53.9 million, respectively and VAT payable and accumulated surplus overstated by R10.9 million and R24.4 million respectively.				
5	Appropriate audit evidence could not be provided for the balance of R56.7 million as disclosed in the financial statements. We were unable to confirm the existence, valuation and obligation of the balance.	Supporting documentation should be obtained.		In-progress	CFO.
Value Added Tax (VAT)					In-progress
1	With reference to paragraph 8 above, the following matter has not been resolved for the year ended 30 June 2009: A difference of R2.8 million existed between the value-added tax balance of R20.7 million and my recalculation of	A journal should be prepared for the differences identified and adjustments be made in the financial statements.	February 2010.	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	<p>R17.8 million. Creditors are therefore overstated and value-added tax control account understated by that amount.</p> <p>Documentation to substantiate journals processed to value-added tax of R5.6 million could not be provided.</p>	<p>Supporting documentation should be obtained</p> <p>Fast track VAT reconciliation project</p> <p>VAT- reconciliation to be performed on monthly basis</p>			
2	<p>Included in the initial trial balance are the following accounts of which appropriate audit evidence could not be provided for transaction amounting to R2 million. We were unable to confirm the existence, rights to or obligation and valuation of the transactions.</p>	<p>Supporting documentation should be obtained</p>	February 2010.	In-progress	CFO.
3	<p>The amounts declared on the VAT returns for November 2008 to February 2009 and submitted to SARS do not agree to the general ledger, resulting in the understatement of VAT payable by R11 million and overstatement of cash and cash equivalents by the same amount</p>	<p>A journal should be prepared for the differences identified and adjustments be made in the financial statements.</p>	February 2010.	In-progress	CFO.
4	<p>Sufficient appropriate audit evidence could not be provided for the journal transactions</p>	<p>Supporting documentation should be obtained</p>	February 2010.	In-progress	CFO.

Ref	Issues	Action	Due Date	Status	Responsibility
	totaling R7.4 million made to the comparative figures. We were unable to conclude on the existence, rights to and valuation of these transactions.				
5	Sufficient appropriate audit evidence could not be provided for journal transactions relating to VAT of R8.7 million. We could not confirm the existence, valuation and obligation of the transactions.	Supporting documentation should be obtained	February 2010.	In-progress	CFO.
6	The entries that affected VAT of the correction journals amounting to R1 million during the restatement of the financial statements does not reflect on the VAT payable balance	The vat control account should be updated with the differences noted.	February 2010.	In-progress	CFO.